THE CHURCHILL CORPORATION

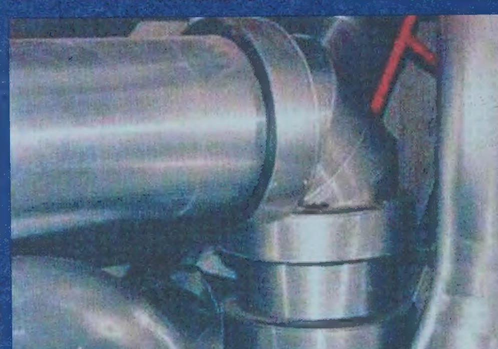
ANNUAL REPORT 2005

Churchill's mission is to maximize client value in the construction, maintenance and industrial service businesses by developing relationships with our clients to profitably deliver services that exceed their expectations. Churchill's strategic vision is to build a highly profitable, diversified and sustainable construction and industrial services business.

The Churchill Corporation provides services to the industrial construction, industrial maintenance and building construction markets through operating subsidiaries:

- Laird Electric - industrial electrical, instrumentation and power-line construction and maintenance services
- Fuller Austin Insulation and Northern Industrial Insulation - industrial insulation, maintenance and related services
- Triton Projects - heavy-industrial general contracting, fabrication and maintenance services
- Stuart Olson Construction - building construction services

Churchill is based in Edmonton, Alberta and active throughout western Canada, and northwestern Ontario.



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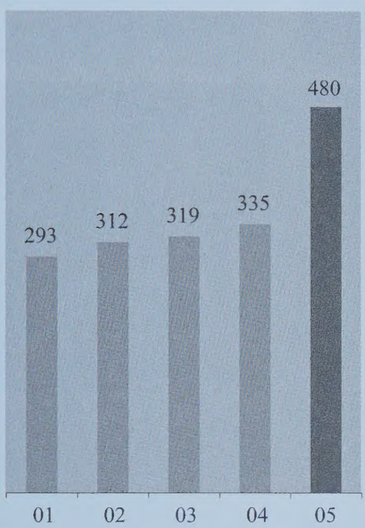
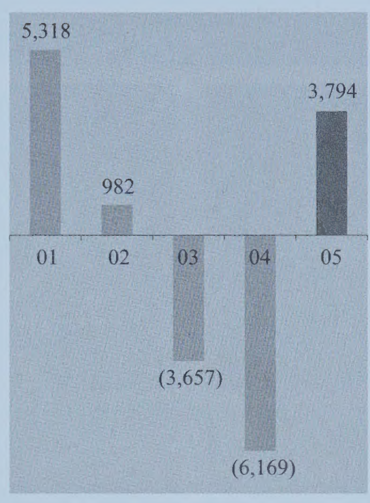
EXCHANGE LISTING
The Toronto Stock Exchange
Trading Symbol: CUQ
CUSIP: 17143D103
Sedar Profile No: 00003704

Financial Highlights

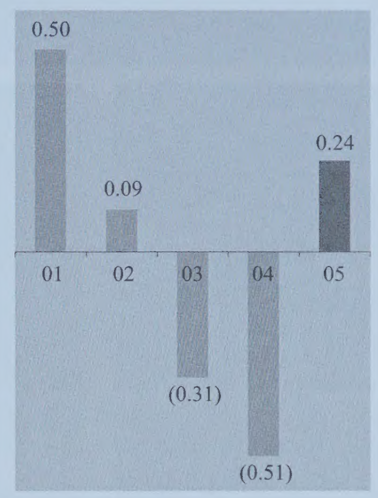
REVENUE ($ Millions)



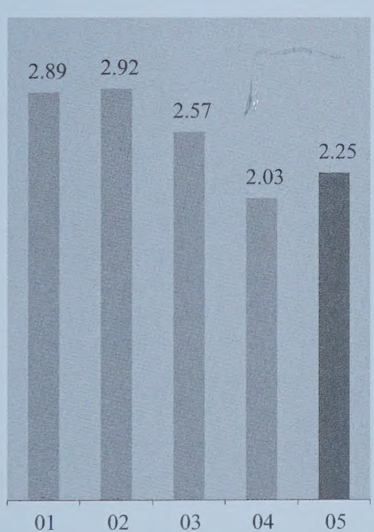
NET EARNINGS ($ Thousands)



NET EARNINGS PER COMMON SHARE ($ Basic)

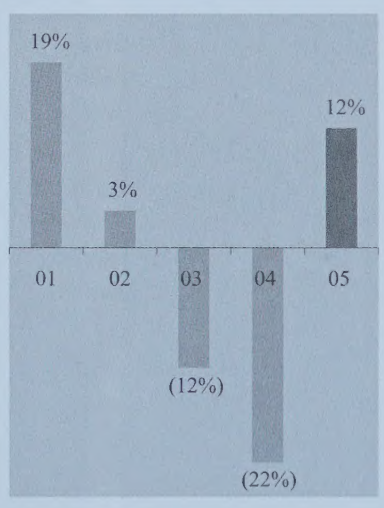


BOOK VALUE PER COMMON SHARE ($)

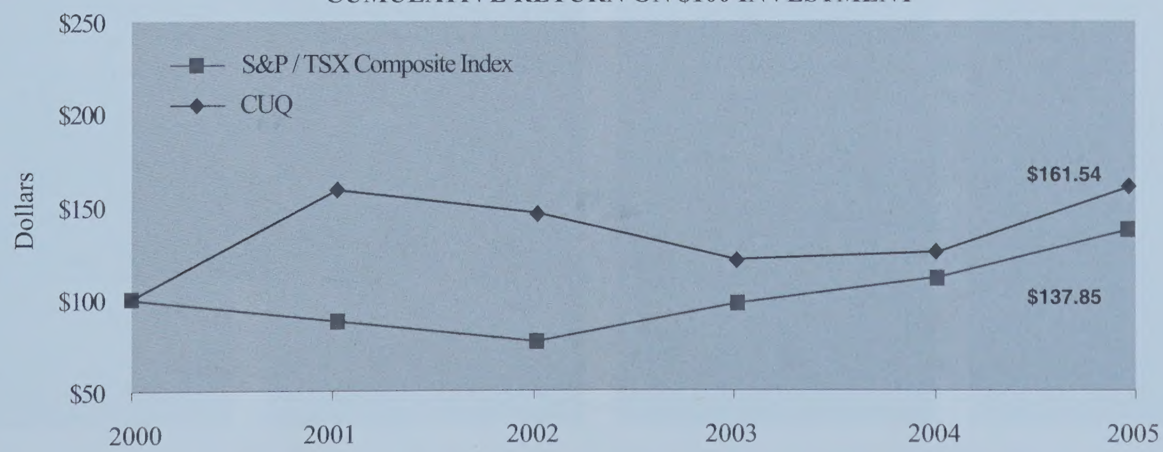


WORK-IN-HAND ($ Millions)

RETURN ON AVERAGE SHAREHOLDERS' EQUITY (%)



CUMULATIVE RETURN ON $100 INVESTMENT



Churchill at a Glance

INDUSTRIAL CONSTRUCTION AND MAINTENANCE

LAIRD ELECTRIC

BUSINESS

- Electrical, instrumentation and power-line construction and maintenance
- 2005 revenue of $79.8 million (17% of Churchill's operating revenue)

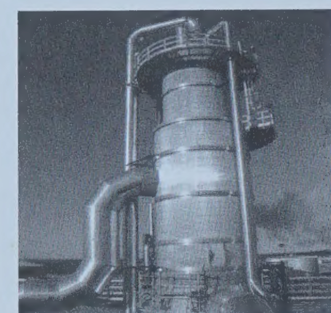
MARKET FOCUS

- Resource and industrial sectors: oil sands, other oil and gas, petrochemical and power generation

COMPETITIVE POSITION

- One of the largest electrical contractors in the active Fort McMurray oil sands sector
- Offices in Fort McMurray and Edmonton, Alberta
- Provides a wider range of complementary services than competitors
- Generates a significant portion of revenue from maintenance services
- Established in 1962

FULLER AUSTIN AND NORTHERN INDUSTRIAL



BUSINESS

- Thermal insulation, fireproofing, fire stopping, siding, asbestos abatement and plant maintenance
- 2005 revenue of $74.6 million (15% of Churchill's operating revenue)

MARKET FOCUS

- Resource and industrial sectors: oil sands, other oil and gas, petrochemical, forest products, pipelines, utilities and mining

COMPETITIVE POSITION

- One of the largest industrial insulation contractors in Canada
- Offices in Edmonton, Bonnyville and Fort McMurray, Alberta, Regina, Saskatchewan and Thunder Bay, Ontario
- Provides a wider range of complementary services than competitors
- Established in 1961

TRITON PROJECTS

BUSINESS

- Heavy-industrial general contracting, fabrication and maintenance
- 2005 revenue of $100.7 million (21% of Churchill's operating revenue)

MARKET FOCUS

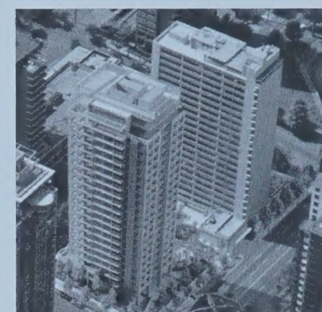
- Resource and industrial sectors: oil sands, other oil and gas, petrochemical, power and forest products

COMPETITIVE POSITION

- One of the largest open-shop heavy-industrial general contractors in western Canada
- Offices in Edmonton, Bonnyville and Fort McMurray, Alberta
- Strong position in heavy oil sectors - a major growth market over the next five years
- Modular fabrication capability and capacity
- Established in 1953

BUILDING CONSTRUCTION

STUART OLSON



BUSINESS

- Building construction: construction management, design-build and general contracting
- 2005 revenue of $227.5 million (47% of Churchill's operating revenue)

MARKET FOCUS

- Private and public sectors
- Institutional, commercial and light-industrial building markets
- Particular expertise in healthcare, retail, recreational and educational facilities

COMPETITIVE POSITION

- One of the three largest building contractors in western Canada
- Offices in Calgary and Edmonton, Alberta, and Vancouver, British Columbia
- Strong position in in healthcare and educational infrastructure - a major growth market
- An industry leader in construction management and design-build
- Established in 1939

Report to Shareholders

HIGHLIGHTS OF 2005

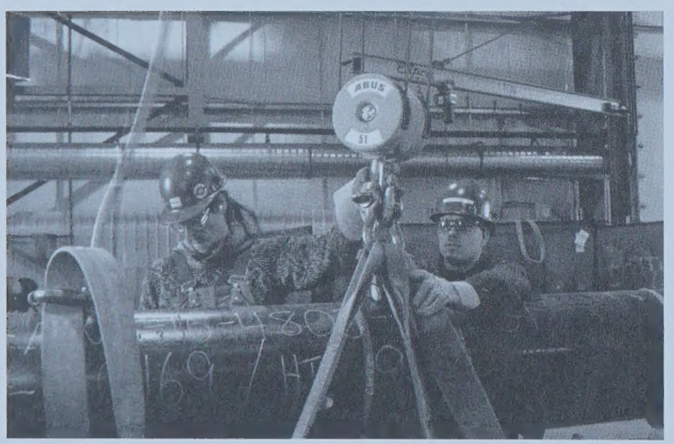
- Record revenue of $479.8 million
- Major turnaround in profitability and earnings
- Substantial improvements in all markets
- All subsidiaries significantly improved operating results
- Three industrial subsidiaries achieved highest revenue in their history
- New equity financing completed
- Working capital increased through new banking facility
- Senior management team restructured
- Significant carryover of work into 2006

2005 was a positive year for your Corporation. Improved conditions in all of Churchill's markets, internal organizational and systems changes, as well as new capital restructuring, combined to produce significant improvement in our financial results.

Revenue increased for all but one of our subsidiary companies and was considerably above 2004 on a consolidated basis for the Corporation. More importantly, each of Churchill's subsidiary companies significantly improved its' operating results from the prior year.

Revenue of $479.8 million was the highest level in the Corporation's history. This was an increase of 43.4% over 2004, and was indicative of the rapid improvement in our markets. The most dramatic increase was in our industrial market, where our operating companies achieved combined revenue of $255.1 million, an increase of 152.1% on a year-over-year basis. Three of our companies, Laird Electric, Triton and Fuller Austin reached the highest levels of annual revenue in their history. Our building construction company, Stuart Olson, experienced another strong year and although the company's revenue was moderately below the prior year, its earnings increased considerably.

All of our markets began a major upswing in 2005. This was primarily driven by the start of construction on many of the large oil sands and related oil and gas projects in Alberta. Not only did this generate direct construction opportunities for our companies, but also spin-off effects that provided additional capital construction projects in the commercial, residential and public infrastructure sectors. Independent forecasts predict this large capital spending to continue for a number of years and thus the outlook for our business is very positive going forward. We see considerable opportunities for our industrial companies in oil sands construction and maintenance; focused growth in this sector will be a key strategy for Churchill.



ISSUES IN 2005:

Our level of activity increased substantially by the second quarter of 2005 and continued to increase as the year progressed.

Triton's financial results improved as a result of growth in its markets that allowed the company's revenue to reach the highest level in its history. It continued to face challenges, however, in the operation of the modular fabrication facility. Plant through-put was intentionally limited to a level below capacity as systems and process improvements were implemented. This reduced operating level at the fabrication plant, together with an operating loss on a major construction project, resulted in an overall net loss for Triton for the year.

A major capital restructuring program was instituted during the year for Churchill, which included new equity financing and a new banking facility with increased borrowing levels. This was necessary as a result of the rapidly growing requirement for working capital in our industrial companies due to increased business activity. Also working capital had been eroded due to the financial losses of the last two years. The restructuring strengthened our balance sheet and allowed our operating companies to move to a higher level of activity.

The dramatic increase in construction activity in western Canada has generated a shortage of labour, including both construction trade labour and management personnel. To date the problem has not impaired Churchill's growth; however it is becoming a more serious factor as the market expands. Churchill's operating companies have attempted to mitigate the issue through competitive remuneration, enhanced in-house training programs as well as expanded recruiting, both within Canada and internationally.

ACHIEVEMENTS:

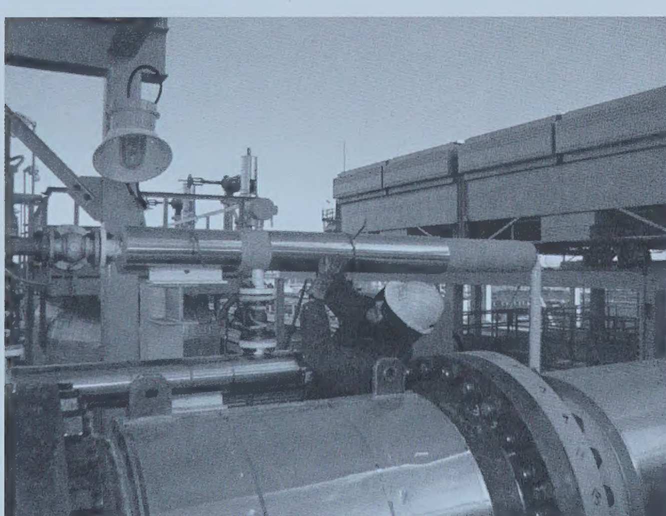
Laird Electric experienced an excellent year. The company reached a record level of annual revenue, a high level of earnings, and has significant carryover of work and opportunities into 2006. The year started strongly with the commencement of several large contracts for Laird's major client in Fort McMurray and improved as the year progressed, as many of the previously delayed oil sands and related projects moved into construction. The company was able to diversify its client base both in capital projects as well as maintenance and shut-down work in the operating plants. The year was a considerable turnaround from the unusually low level of activity which the company faced in 2004.

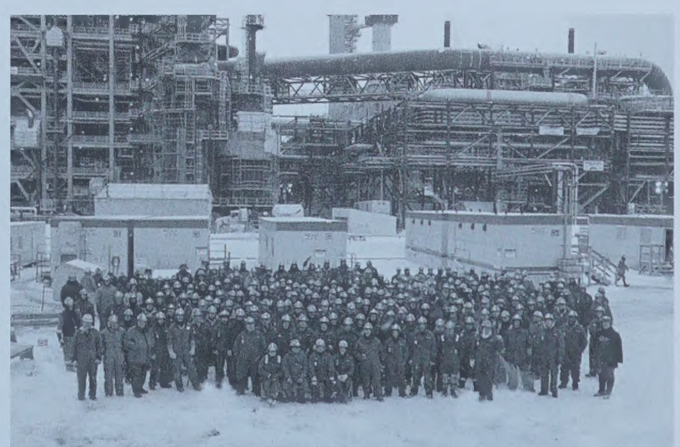
Stuart Olson continued with the positive turnaround in financial results that commenced in the prior year. Operational earnings almost doubled on a year-over-year basis and although the company's revenue was slightly lower, it was able to acquire several significant projects that are expected to move into construction in 2006. Its infrastructure market continued to expand, particularly in the healthcare and education sectors.

During the year, Fuller Austin completed one of the largest industrial insulation projects executed in Canada, for a major oil sands producer in the Fort McMurray region. The successful completion of this project strengthened Fuller Austin's position as the foremost industrial insulation contractor in Canada. It also positions the company well in the expanding oil sands mega project market.

The level of Churchill's maintenance and shutdown/turnaround work increased in 2005, consistent with our goal of deriving a greater proportion of our business from recurring revenue. As the many new oil and gas projects are completed in Alberta, we expect further opportunities for maintenance work.

The advancement of Churchill's capital restructuring program was an important achievement during the year. A private placement of 5,323,000 Common Shares was completed, for a total equity financing of $10.6 million. This was followed with a new banking facility offering a larger operating line of credit. The restructuring resulted in an increase in the Corporation's working capital and, combined with the positive earnings achieved for the year, provided Churchill with a strengthened balance sheet.





STRATEGY:

Churchill's goal is to build a highly profitable and sustainable construction, maintenance and industrial services company. Our shorter term focus in 2005 was to return to profitability, followed by sustainable growth in earnings. We were able to accomplish much of this and are now moving towards longer term objectives for 2006.

Our current focus includes:

- Improving the operational performance of Triton
- Continuing with the capital restructuring program
- Recruiting, retaining and training our valued personnel
- Increasing our emphasis on oil sands construction
- Increasing the base of recurring revenue through more plant maintenance and annual shutdown work
- Increasing the diversity of industries, clients, services and geographic markets served by Churchill
- Emphasizing construction management and other partnering methods of project delivery

OUTLOOK:

Churchill's markets improved dramatically during the year and this higher level of activity is expected to carry forward throughout 2006. The majority of Churchill's business is generated in Alberta and British Columbia which are forecast to lead the country in economic growth.

Oil sands and heavy oil mega projects will drive the Alberta economy and provide significant opportunities for Churchill's industrial companies. Alberta Economic Development has identified $84 billion of large projects planned for the next five years in the oil sands, oil and gas and power sectors of the industrial market in Alberta. As these plants are completed and move into production they will also generate an increasing amount of maintenance work.

As the economies in Alberta and British Columbia continue to thrive, so will Stuart Olson's building construction market. Governments in both provinces have committed major infrastructure funding for healthcare, education and

recreational facilities, including facilities for the upcoming 2010 Olympics. These sectors have provided the bulk of the company's work in 2005 and its expertise in these areas bodes well for opportunities in the coming year.

The market for our services is expected to be strong. We do, however, face challenges in 2006. The turnaround at Triton is still underway. We have made significant progress in our capital restructuring program, but may require additional working capital to take advantage of further growth opportunities. Lastly, the growing shortage of skilled workers and management personnel, while being addressed proactively, challenges further organic growth in our present markets.

Churchill is the right company, at the right time, in the right market sectors. We are facing the strongest construction market in our history and what we believe to be one of the best in the world at this time.

I am pleased to have joined Churchill as your new President. I would like to thank all of our employees, clients, shareholders and Board Members for the support provided to me during my first year with the Corporation.

March 16, 2006

J. Norman Rokosh
President and Chief Executive Officer

CHAIRMAN'S MESSAGE

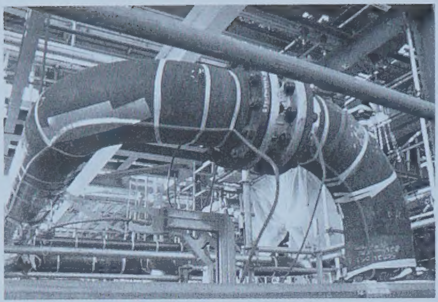
This is the Corporation's first year under the leadership of Norm Rokosh, who joined us as President and CEO in May of 2005. Daryl Sands also joined Churchill this year as our Vice President Finance and CFO. We are delighted to have Norm and Daryl as leaders of our management team. I also thank Gary Bardell, our former CEO, who remains a very supportive contributor to our Corporation.

In the latter stages of 2004 and the first half of 2005, operational leadership was provided to the Corporation through a Special Committee of the Board, with Hank Reid, a past President of the organization, serving as Interim President and CEO. I thank the members of the Committee for their exceptional dedication and commitment to the Corporation through those several months.

As we move from a profitable 2005 and look forward to enhanced long-term opportunities ahead, I am confident that Churchill's restructured management team will provide the leadership required to sustain our profitability and provide growth in the years ahead. On behalf of the Board of Directors I thank our shareholders for their loyal and continuing support.

March 16, 2006

Peter F. Adams
Chairman of the Board of Directors



LAIRD ELECTRIC

Laird Electric provides electrical, instrumentation and power-line construction and maintenance services to resource and industrial clients, primarily in the Fort McMurray and greater Edmonton regions.

The company is one of the largest electrical contractors working in the Fort McMurray oil sands sector.

HIGHLIGHTS OF 2005

- Largest revenue in Laird's history
- Return to profitability after a slow 2004
- Diversification of client base
- Growth in maintenance business
- Growth in power-line business

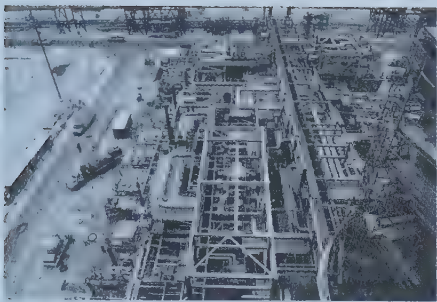
Laird achieved a significant recovery in 2005 over the unusually slow activity level of the prior year. Delayed oil sands projects moved into construction, and this, combined with reactivated maintenance work, resulted in the largest annual revenue completed in the company's history.

Laird is somewhat unique as an electrical contractor in that it also provides power-line installation and instrumentation services in addition to electrical construction. This multi- faceted approach allows Laird to gain early access to new projects by providing the initial power service; continuing with the electrical installation during the construction phase; and then following with the ongoing instrumentation and control calibration after project completion.

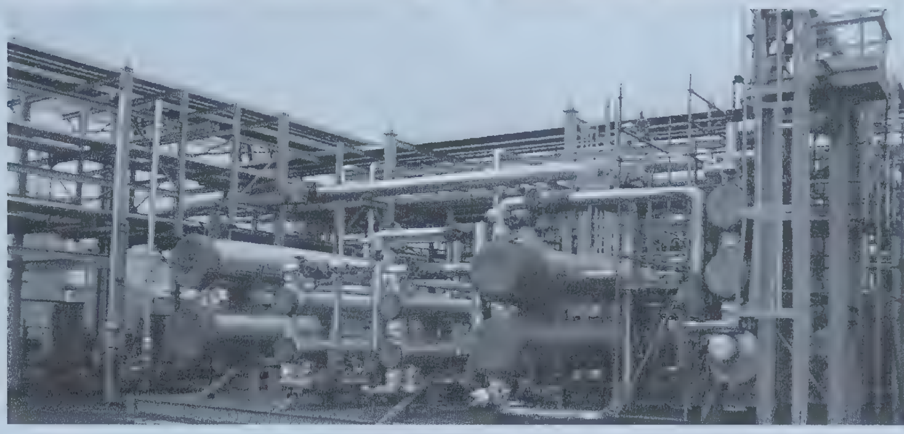
Early in 2005, Laird was awarded a large contract with its major client in Fort McMurray. This work was substantially completed during the first two quarters and provided an excellent start to the year. As well, a large maintenance shutdown for this same client, which was deferred from the prior year, was executed during 2005.

As the year progressed, Laird was able to expand its business in the Fort McMurray region as the company took advantage of many new oil sands project opportunities. Laird successfully diversified its client base and secured several significant new contracts which dramatically increased its revenue in 2005 as well as provided a solid carryover of work into 2006.

In addition to the new construction projects, Laird was very active in its core maintenance work for long-term clients. The company was also able to expand this type of recurring business through new contracts in the recently completed oil sands plants.



FULLER AUSTIN AND NORTHERN INDUSTRIAL



Fuller Austin and Northern Industrial serve clients in the oil and gas, petrochemical, utilities, forest products, power and mining sectors. Fuller Austin serves the building-trade union market while Northern Industrial serves the open-shop market. These independent operations enable the companies to participate in all sectors.

Fuller Austin and Northern Industrial provide an integrated range of complementary services, including insulation, siding, fireproofing, sheet metal, fire stopping, asbestos abatement and plant maintenance.

HIGHLIGHTS OF 2005

- Excellent performance on major Fort McMurray oil sands project
- Record revenue
- Strengthening market
- Continued strong earnings
- Significant carry-over of work into 2006

Fuller Austin is one of the largest industrial insulation and related services contractors in Canada while Northern Industrial is one of the largest open-shop industrial insulation contractors in Alberta. Fuller Austin operates primarily in western Canada and northwest Ontario with offices in Edmonton, Fort McMurray, Regina and Thunder Bay. Northern's offices are in Edmonton, Fort McMurray and Bonnyville.

During the year Fuller Austin completed one of the largest insulation contracts executed in Canada. This large oil sands project in Fort McMurray experienced a slower than anticipated start as the client incurred logistical issues early in the year. Work on the project accelerated rapidly in the latter half of the year providing significant increases in revenue and earnings, and accounting for the majority of the company's activity.

Saskatchewan and Manitoba operations achieved solid earnings although spending on new capital projects was slow. The Thunder Bay branch was steady with maintenance work while its forest products market still awaited recovery.

Activity for Northern increased in 2005 with new opportunities in oil sands capital projects and continued growth in the company's maintenance business. A large number of delayed projects from prior years moved into the insulation phase of construction.

Overall, the insulation businesses experienced record revenues for 2005. Net earnings were strong due to larger revenue and excellent operational performance. The companies have a high level of work-in-hand for 2006.

TRITON PROJECTS

Triton Projects provides heavy-industrial general contracting, fabrication and maintenance services to resource and industrial clients throughout western Canada. The company is one of the largest open-shop mechanical contractors in the region.

Clients are in the oil and gas, petrochemical, power generation, mining and forest products sectors. In addition to new construction and maintenance, Triton has significant experience in the dismantling and relocation of existing facilities, well-site abandonment and restoration.

HIGHLIGHTS OF 2005

- Significant increase in Triton's markets
- Record revenue
- Fabrication plant system and process improvements implemented
- Growth in maintenance and shutdown work
- Major improvement in operating results over prior year

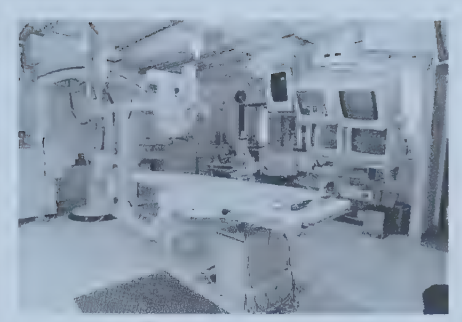
Triton is based in Edmonton, with offices in Fort McMurray, Bonnyville, and Lamont, Alberta. Many of the new oil sands projects are planned or underway in the Fort McMurray and Bonnyville regions providing Triton with excellent opportunities for the construction of capital projects.

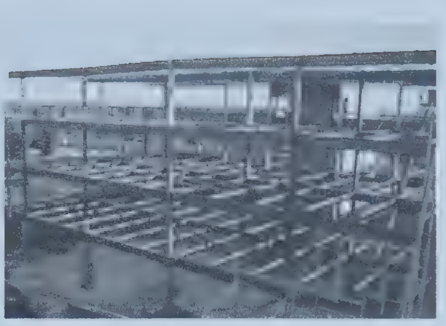
Triton's revenue increased significantly in 2005 as the company's markets grew. Much of its work was related to capital spending in new or expanded oil sands projects. The company also has a base of recurring maintenance revenue from clients in the growing heavy oil region of Bonnyville/Cold Lake and new initiatives have expanded Triton's maintenance and shutdown/turnaround work.

Churchill's modular fabrication facility in Lamont is utilized by Triton for fabrication of process units and modules that are then transported and assembled at sites in northern Alberta. This is a common methodology for the construction of new oil sands projects. As well, Triton has a smaller fabrication facility in Bonnyville, which primarily serves maintenance work in that region.

Significant progress was achieved in implementing systems and process improvements in the fabrication plant. During this implementation, plant through-put was restricted below capacity resulting in lower than desired profitability. The company plans to gradually increase work volume in 2006.

Although Triton incurred a loss in 2005, operating income was much improved over the prior year. The company has a high level of work-in-hand for 2006 and expects significant opportunities in its strong industrial market in Alberta.





STUART OLSON

Stuart Olson provides general contracting, construction management and design-build services to clients in the institutional, commercial and light-industrial market sectors. Projects generally entail the construction, expansion or renovation of a building.

The company has particular expertise in the construction management of institutional projects in the recreational, healthcare, and educational sectors.

HIGHLIGHTS OF 2005

- Significant increase in earnings
- Strong markets, particularly health care and infrastructure
- Major projects secured – expected to move into construction in 2006
- Growth in markets in Alberta and British Columbia
- Opportunities related to 2010 Olympics

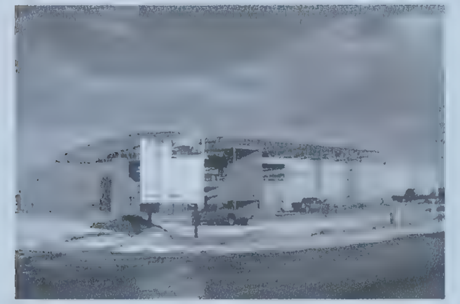
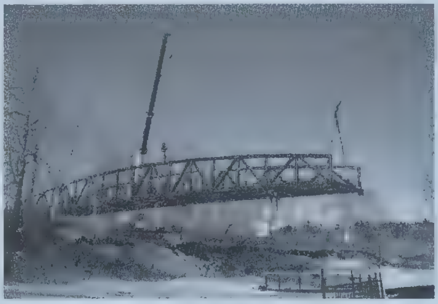
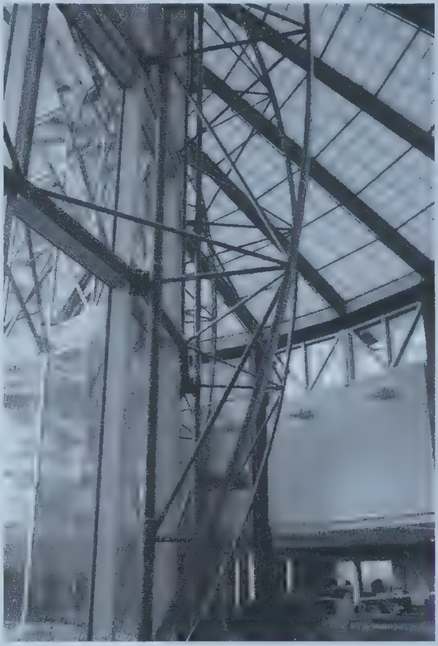
Stuart Olson has been in business since 1939 and is recognized as one of the top ten building contractors in Canada and in the top three in market share in its primary market of western Canada. Major offices are in Calgary, Edmonton and Vancouver. From these bases, Stuart Olson executes projects throughout Canada ranging in size from several hundred thousand to over $100 million.

Revenue for 2005 was similar to the prior year. This is not, however, indicative of the company's activity level, as there was considerable improvement in all of its markets. This improvement resulted in higher contract margins and increased earnings for the year as well as numerous project acquisition opportunities. Several of the significant projects that the company acquired during the year are expected to move into construction in 2006.

Much of the company's work in 2005 was in the public sector as government spending increased in healthcare and educational infrastructure. Stuart Olson's key markets in Alberta and British Columbia continue to be buoyant as economic and population growth in these provinces lead the country.

The major spending that is occurring on large oil sands and related oil and gas projects in Alberta is generating spin-off effects throughout the economy. Increased private sector spending is in sectors of Stuart Olson's expertise, such as office, retail, food processing and multi-family residential. As well, the population growth is creating infrastructure demands in the public sector for recreational, healthcare and educational facilities.



As British Columbia moves closer to the 2010 Olympics, many new construction opportunities are being created. These not only include the construction of the venues and facilities themselves, but also the commercial and residential infrastructure needed to support the influx of visitors. Stuart Olson is experiencing a high level of activity as a result, since most of these projects fall within the company's experience and expertise.

Stuart Olson continues to be a leader in alternative methods of project delivery including construction management and design-build. This partnering methodology involves working with clients and designers early in the planning phase of a project to value-engineer the design, and to plan the construction process. This enhances the value to the client by providing increased cost and schedule certainty and can also provide a single source of responsibility. Construction management projects for both the private and public sectors is a growing segment of the market and account for a major portion of Stuart Olson's business.

Management's Discussion and Analysis

The following discussion and analysis of the operating performance and financial condition of Churchill, dated March 16, 2006, should be read in conjunction with the December 31, 2005 Audited Consolidated Financial Statements and related notes thereto.

FORWARD LOOKING STATEMENTS

Certain statements in this Management's Discussion and Analysis may constitute "forward-looking statements". Although management of Churchill believes its expectations regarding future performance of the Corporation are based on reasonable assumptions and currently available competitive, financial and economic data, market conditions and operating plans, it can give no assurance its expectations will be achieved. Such forward-looking statements involve risk, uncertainties and other factors that might cause the actual results, performance or achievements of the Corporation to vary significantly from any future results, performance or achievements expressed or implied in any forward-looking statements.

KEY OPERATING RESULTS

The following tables set forth certain unaudited historic operating results and financial information referred to in this management's discussion and analysis:

SELECTED ANNUAL INFORMATION

Years ended December 31 ($ thousands, except for percentages, shares and per share amounts)	2005	2004	2003
Contract Revenue	479,820	334,618	319,398
Contract Income	39,805	17,998	21,304
Contract Income (%)	8.3%	5.4%	6.7%
Net earnings (loss)	3,794	(6,169)	(3,657)
Net earnings (loss) per common share			
Basic ($ per share)	0.24	(0.51)	(0.31)
Fully diluted ($ per share)	0.24	(0.51)	(0.31)
Total Assets	144,061	122,308	102,829
Total long-term financial liabilities	2,301	1,849	5,635
Cash dividends declared per share	-	-	-
Outstanding shares at December 31	17,895,686	12,238,352	11,863,652
Outstanding shares at March 16, 2006	17,895,686		

The above information is impacted by the following items:

(1) The acquisition of Laird Electric occurred on February 7, 2003. Laird's revenue for the period from acquisition to December 31, 2003 was $25.5 million; for the year ended December 31, 2004 was $19.7 million; and for the year ended December 31, 2005 was $79.8 million.

(2) Churchill's 41% interest in the Lafrentz Road Services business was sold in early 2003. Churchill's equity investment and management fee revenues from Lafrentz were $0.2 million in 2003.

(3) The Corporation's long-term debt increased during 2004 by $4.0 million in order to finance the construction and operations of a new modular fabrication facility. In 2004, the Corporation was not in compliance with certain of its debt covenants and consequently reclassified $6.6 million of long-term debt to a current liability. In 2005 the Corporation finalized an arrangement for additional equity funding. The arrangement included the issuance of 5,323,000 of new Common Shares in a private placement for $10.6 million.

OVERVIEW

Churchill experienced a significant recovery in 2005 from the losses in the prior two years. Improved market conditions generated opportunities for larger revenue; internal reorganization and systems improvements assisted in better contract margins; and capital restructuring provided additional working capital to achieve higher levels of operations. These were the major factors generating higher earnings for the Corporation. Revenue increased by 43.4% on a year-over-year basis. The Corporation's immediate objective was to return to profitability during the year as well as to replenish working capital. Both of these objectives were accomplished.

All Churchill companies were profitable in 2005 with the exception of Triton. Triton's loss was due to a significant loss on a major construction project coupled with a decision to restrict work flow through the new modular fabrication facility pending systems and process improvements.

A major capital restructuring program was instituted during the year which included new equity financing of $10.6 million and a new banking facility with increased borrowing levels. This restructuring, combined with the positive earnings achieved in the year, resulted in a significant increase in the Corporation's working capital. Churchill's working capital requirements were impacted by growth in 2005 as well as financial losses in 2003 and 2004.

The higher level of working capital resulted in an enhancement of the Corporation's ability to take advantage of the opportunities created in its expanding markets.

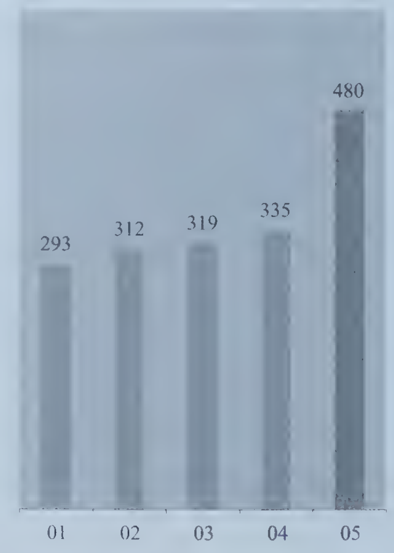
Churchill constructs buildings and provides industrial construction and maintenance services. In 2005 the Corporation operated through five business segments –

- Buildings (Stuart Olson) – constructs commercial, institutional and light-industrial buildings
- Industrial General Contracting (Triton) – provides heavy-industrial general contracting, fabrication and maintenance services
- Industrial Insulation Contracting (Fuller Austin, Northern Industrial) – provides industrial insulation, maintenance and related services
- Industrial Electrical Contracting (Laird) – provides industrial electrical, instrumentation and power-line construction and maintenance services
- Corporate and Other – includes corporate costs not allocated directly to another business segment as well as any miscellaneous investments

Churchill provides strategic direction, operating advice, financing and infrastructure services to each of the business segments. Churchill's senior management includes Norm Rokosh, President and Chief Executive Officer; Daryl Sands, Vice President Finance and Chief Financial Officer; Al Stowkowy, President, Stuart Olson Construction; Ron Martineau, President, Insulation Holdings; Danny Daoust, President, Triton Construction; and George Schneider, President, Laird Electric. Each business segment has its own President and senior management team, and is designed to be self-supporting.

During 2005, there were several major changes to Churchill's senior management. Gary Bardell stepped down in November 2004 as the President and Chief Executive Officer. Hank Reid, who led the Corporation through a successful twelve year period from 1991 to 2003, returned as Interim President and Chief Executive Officer. In May 2005 Norm Rokosh was appointed President and Chief Executive Officer. In January 2005, Ian Morris, Vice President Finance and Chief Financial Officer, left the organization. DeEtte Mack, the Corporate Controller subsequently assumed the duties of the chief financial officer on an interim basis. In June 2005, Daryl Sands was appointed Vice President Finance and Chief Financial Officer. In April 2005, Bruce Rintoul, Vice President Industrial and CEO of Triton left the Corporation. The position of Vice President Industrial was subsequently eliminated.

REVENUE
($ Millions)



QUARTERLY FINANCIAL INFORMATION

($ Millions, except for percentages and per share amounts)	2005				2004			
	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31
Contract Revenue	$ 138.8	$ 120.6	$ 118.8	$ 101.6	$ 101.8	$ 82.6	$ 77.3	$ 72.8
Contract Income	12.4	9.7	10.4	7.3	1.9	5.4	6.2	4.5
Contract Income (%)	8.9%	8.0%	8.8%	7.1%	1.9%	6.5%	8.0%	6.2%
Net Earnings (Loss) per share	1.6	1.3	1.1	(0.2)	(3.7)	(1.0)	(0.2)	(1.3)
Basic ($ per share)	0.09	0.07	0.07	(0.02)	(0.31)	(0.08)	(0.01)	(0.11)
Fully diluted ($ per share)	0.09	0.07	0.07	(0.02)	(0.31)	(0.08)	(0.01)	(0.11)
Work-in-Hand	247.2	307.8	294.8	299.8	251.5	338.4	347.0	298.5
Working Capital*	25.1	23.4	14.9	3.4	3.0	9.9	13.0	15.2
Shareholders' Equity	40.2	37.9	36.5	24.7	24.9	28.6	29.5	29.2
Book Value ($ per share)	2.25	2.15	2.07	2.02	2.03	2.34	2.41	2.46

* Working Capital is defined as current assets less current liabilities excluding that portion of a demand term loan entered into on September 7, 2005, which is scheduled to be repaid beyond one year.

The above information is impacted by the following items:

(1) Revenue increased in the last quarter of 2004 and the four quarters of 2005, indicating a general improvement in the Corporation's markets as well as a result of the additional revenue from projects executed at the new modular fabrication facility.

(2) The increase in contract income in 2005 relative to 2004 reflects an improving market resulting in higher revenue and a return by the Corporation to its historic levels of contract margins.

(3) The significant drop in contract income in the fourth quarter of 2004 was primarily due to large losses incurred on early contracts executed by Triton utilizing Churchill's modular fabrication facility.

(4) Contract income in the second quarter of 2005 included $1.3 million related to a contractual settlement on a fabrication project executed by Triton. A further $0.4 million in contract income related to this settlement was realized in the third quarter of 2005.

(5) In the first and second quarters of 2005 the Corporation incurred additional indirect and administrative costs. These costs included $0.6 million for outside consultants and $0.4 million related to the Special Committee of the Board of Directors. The additional costs were mainly incurred with regard to the review and design of process improvements in respect to the industrial operations and the fabrication plant, as well as the sourcing of new capital for the Corporation. The Special Committee also provided interim management to the Corporation during that period. The work of the Special Committee was substantially completed in the second quarter of 2005.

(6) Work-in-hand increased during the first quarter of 2005, from that at year-end 2004, due to a large amount of new work secured by the Corporation's industrial businesses.

(7) Working capital was reduced during the fourth quarter of 2004 and the first and second quarters of 2005, principally as a result of a reclassification of $6.6 million of long-term debt with covenant violations to current liabilities in 2004 ($6.0 million in the first quarter and $5.4 million in the second quarter of 2005), as well as operational losses and capital expenditures incurred with respect to the modular fabrication facility in 2004. The increase in working capital in the second quarter of 2005 was primarily due to the proceeds from the issuance of new share capital through the private placement of $10.6 million for 5.3 million of new Common Shares. In the third quarter of 2005 the Corporation arranged for a new banking facility, with which the Corporation was in compliance with the required debt covenants as at December 31, 2005.

The consolidated results of operations, cash flow and financial position of the Corporation for the year ended and as at December 31, 2005 are included in the section titled Cash Flow, Financing, Capital Requirements, Liquidity presented later in this Management's Discussion and Analysis.

In order to understand more clearly the operating results for The Churchill Corporation, the discussion within this Management's Discussion and Analysis will be focused at the business segment level.

Fourth Quarter Results

The quarterly financial information as at March 31, June 30, and September 30, 2005 has been presented and analyzed in the quarterly reports to shareholders. The Corporation does not produce a separate quarterly report for the fourth quarter.

As shown in the Quarterly Financial Information in this Management's Discussion and Analysis, the activities for the three months ended December 31, 2005 resulted in revenue increasing to $138.8 million from $120.6 million in the previous quarter and $101.8 million during the comparable period in 2004. The continued higher level of revenue on a year-over-year basis is indicative of a strengthening in all of the Corporation's markets. Laird's revenue increased significantly for the quarter to $19.5 million from $5.7 million in the same period in 2004. As well, Churchill's insulation companies experienced a significant increase to $28.4 compared to $15.8 million in the fourth quarter of 2004. Triton's revenue increased by $12.0 million to $31.3 million for the quarter while Stuart Olson's revenue of $60.1 million was similar to that of $61.7 million in the fourth quarter of 2004.

The Corporation's net earnings for the three months ended December 31, 2005 were $1.6 million as compared to a net loss of $3.7 million for the three months ended December 31, 2004. All of the operating companies were profitable in the fourth quarter of 2005 except Triton. Laird's earnings before tax were $0.7 million; Stuart Olson's were $2.2 million; and Industrial Insulation Contracting net earnings before tax were $1.6 million for the quarter. Triton incurred a net loss before tax of $1.4 million during the fourth quarter of 2005, due to large losses on a major construction contract. Triton had incurred a net loss of $6.0 million during the comparable period in 2004. The loss in the fourth quarter of 2004 was primarily as a result of major losses incurred on the early contracts executed by Triton utilizing Churchill's modular fabrication facility. The fabrication facility was also intentionally operated below capacity through 2005 to improve systems and re-engineer processes to avoid a loss similar to 2004.

Annual Results

For the year ended December 31, 2005, The Churchill Corporation achieved net earnings of $3.8 million on revenue of $479.8 million, or net earnings per share of $0.24 for the year. For the year ended December 31, 2004, the Corporation had a net loss of $6.2 million on revenue of $334.6 million, or a net loss per share of $0.51.

Year over year revenues for the consolidated group increased $145.2 million. In 2005, the industrial companies experienced a much higher level of activity than in 2004 with all showing significant increases in revenue. Laird's revenue was $79.8 million for the year and was the highest in company history; this was an increase of $60.1 million from $19.7 million in 2004. The Industrial Insulation Contracting companies increased revenue by $33.5 million to $74.6 million in 2005 and Triton's revenue, also a historic high, increased by $60.3 million to $100.7 million from $40.4 million in 2004. The Buildings segment, Stuart Olson, had a modest decline in revenue to $227.5 million compared to $239.2 million in 2004. Revenue of the consolidated Churchill Corporation included an elimination of $2.8 million for the year, compared to $5.8 million in 2004. This elimination occurs when one of Churchill's companies does work for another.

Buildings

For the year ended December 31, 2005, Stuart Olson had revenue of $227.5 million, compared to $239.2 million in the prior year.

Stuart Olson entered the year with a backlog of $139.6 million. During 2005, the company secured a further $226.0 million of contracts, net of contract revisions, and executed and took into revenue $227.5 million. It ended 2005 with a backlog of $138.1 million. In addition to substantially replacing its backlog during the year, the company had several significant new contracts under negotiation that had not been finalized at year end and were thus not recognized as work-in-hand. Stuart Olson's market improved in 2005 as reflected by the considerable number of new projects available to the company as well as the higher contract margins. Institutional building projects in both Alberta and British Columbia accounted for the majority of the work, as the rapidly growing economies and increased government infrastructure spending of these two provinces generated many opportunities.

Earnings before tax for the year ended December 31, 2005, were $4.4 million as compared to $2.2 million for the year ended December 31, 2004.

Contract income increased from $12.0 million in 2004 to $14.9 million in 2005, and also increased as a percentage, from 5.0% of revenue to 6.5%. This is indicative of the company's improving efficiency and more buoyant markets.

Industrial General Contracting

Triton experienced a significant increase in revenue in 2005. The company's markets grew considerably during the year resulting in the highest revenue in its history. Triton's revenue for the year ended December 31, 2005 was $100.7 million, a 149.3% increase from $40.4 million for the year ended December 31, 2004.

The operating margin for 2005 was 6.9%, up from negative 5.3% in 2004. The margin improvement was due to improved market conditions coupled with a gain of $1.7 million, associated with the resolution of a contractual settlement on a fabrication contract completed in 2005. These positive factors were offset by a significant loss on a major construction project in 2005.

Triton recorded a loss before tax of $0.8 million for the year ended December 31, 2005, as compared to a loss before tax of $8.3 million for the year ended December 31, 2004. Due to prior year operating losses in the modular fabrication facility, plant through-put was intentionally limited to a level below capacity for 2005 as systems and process improvements were implemented. This reduced operating level of the fabrication plant, together with the operating loss on a major construction project, resulted in a net loss for Triton for the year.

Triton began 2005 with $45.6 million of work-in-hand. All of this was executed and brought into revenue for 2005. In addition, the company secured $78.8 million of new work during the year, and executed $55.1 million of this, leaving $23.7 million to be executed in 2006.

Industrial Insulation Contracting

Industrial Insulation Contracting operates under three primary business units – Fuller Austin, Northern Industrial, and Lakehead Insulation – all providing insulation related contracting services for capital projects and maintenance work. Lakehead is a subsidiary of Fuller Austin.

The Industrial Insulation Contracting segment had an excellent year in 2005, with combined revenue reaching a record level. Revenue for the year ended December 31, 2005 increased by 81.5% to $74.6 million from $41.1 million in 2004. Although revenue increased, operating margins were down from the previous year, reflecting the nature of the contracts executed in 2005. Activity during the year was dominated by Fuller Austin completing one of the largest industrial insulation projects executed in Canada. This project was for a major oil sands producer in the Fort McMurray region and was carried out primarily during the second half of the year. Fuller Austin's operations outside of Alberta started the year slowly and improved as the year progressed, while Northern Industrial experienced a significant increase in activity. Lakehead's market, which is primarily related to the forest products industry, was steady with maintenance work although limited in new construction projects.

In 2005 the insulation companies executed a number of larger projects with lower operating margins than their historic work. Consequently, the overall margin for the year ended December 31, 2005 was 11.1%. In 2004, they executed higher margin projects resulting in an overall operating margin of 15.4%. The lower margin in 2005 reflects larger contracts with a higher material/labour mix.

Earnings before tax for the year ended December 31, 2005 were $2.7 million, as compared to $1.7 million for the year ended December 31, 2004.

Industrial Insulation Contracting entered 2005 with a work-in-hand backlog of $22.2 million. The companies secured $79.2 million of new contracts in 2005. They executed and took into revenue $74.6 million, leaving a backlog of $26.8 million for 2006.

Industrial Electrical Contracting

Laird Electric experienced a high level of activity in 2005 compared to an unusually slow 2004. The company generated a company record $79.8 million of revenue, an increase of $60.1 million over 2004. The company's markets were particularly busy in the Fort McMurray region as oil sands projects moved into construction. Activity included providing electrical reconstruction services to a major oil sands producer who experienced a production fire in early 2005. Laird not only secured additional contracts with its traditional clients, but also expanded its client base to a number of other major oil sands producers. Power-line work accounted for increased revenue during the year as this portion of the business recovered markedly from the prior year.

Operating margins were 11.1% in 2005 compared to 8.9% in 2004. Laird achieved earnings before tax of $2.7 million compared to an operating loss before tax of $2.0 million in 2004. The higher operating margins were a result of the company's significantly improved construction markets as

well as increased maintenance work, including a resumption of work deferred from 2004.

Laird had a backlog of work of $44.1 million entering 2005. It secured $94.4 million of new contracts during the year and executed $79.8 million of work, leaving a work-in-hand backlog of $58.7 million entering 2006.

Corporate and Other

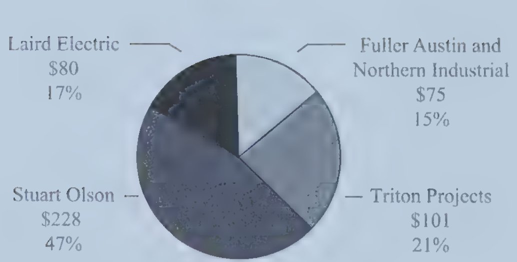
In 2005, $31.7 million of Indirect and Administrative expenses were incurred by the Churchill group of companies, compared to $24.8 million for the year ended December 31, 2004. The increase of 27.8% in Indirect and Administrative expenses is due primarily to anticipated support costs associated with the 43.4% increase in revenue on a year-over-year basis as well as the additional costs of operating the fabrication plant for a full year as compared to five months in 2004. Salaries, training and facility costs account for the majority of this increase. Severance and recruitment costs of $0.7 million were incurred associated with the corporate restructuring of Churchill's senior management. The Corporation incurred costs of $1.4 million for the services of consultants related to process re-engineering of the industrial operations. Stock-based compensation expense of $0.4 million was charged during the year compared to $0.1 million in 2004.

In late 2004 Churchill struck a special committee of the Board of Directors. The mandate of this committee was to oversee the operation of the Corporation until a new senior management team was established. This included a comprehensive review of the operational and control systems with respect to the industrial operations and the fabrication plant, and implementation of measures for improvement. The committee's role also included the sourcing of new capital for the Corporation which resulted in a private placement on May 13, 2005. The compensation for the committee members was over and above the fees and disbursements contemplated in their role as Directors and members of the Corporation's various standing committees. This committee operated primarily through the first two quarters of 2005 during which time a committee member acted as Interim CEO. The amount paid during the year to the special committee members was $0.4 million.

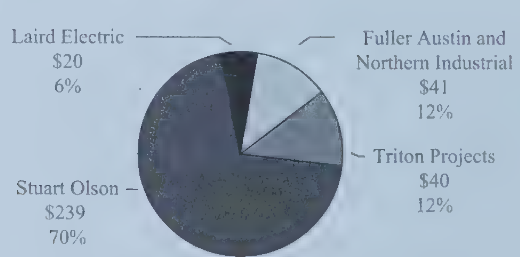
The Corporation incurred legal fees during the year ended December 31, 2005 with a law firm for which a Director of the Corporation is also a partner. The fees were for services rendered in the ordinary course of business. The amount paid during the year was $183 thousand. During the year, the Corporation incurred commission fees of $14 thousand for services related to the disposition of a property held for sale with a company for which a Director of the Corporation is also the owner of the company.

Revenue Mix
($ Millions)

2005



2004



CASH FLOW, FINANCING, CAPITAL REQUIREMENTS, LIQUIDITY

For the year ended December 31, 2005, Churchill generated $11.3 million of cash through revenue generating activities. The Corporation incurred increased working capital requirements, due to its higher level of activity, resulting in the consumption of $14.2 million of cash, related in part to the timing of collections and payments. The result was a net reduction in cash from operating activities of $2.9 million. For the year ended December 31, 2004, Churchill consumed $5.5 million of cash through its revenue generating activities and increased cash by $10.8 million, related in part to the timing of collections and payments, resulting in a net positive cash flow from operating activities of $5.3 million.

Churchill's working capital position, comprised of current assets less current liabilities excluding that portion of a demand term loan which is scheduled to be repaid beyond one year, was $25.1 million at December 31, 2005, as compared to $3.0 million at December 31, 2004. This substantial increase in working capital on a year-over-year basis is the result of positive earnings in 2005, combined with a major capital restructuring program implemented during the year. The capital restructuring program consisted of new equity financing and a new banking arrangement with increased borrowing capability.

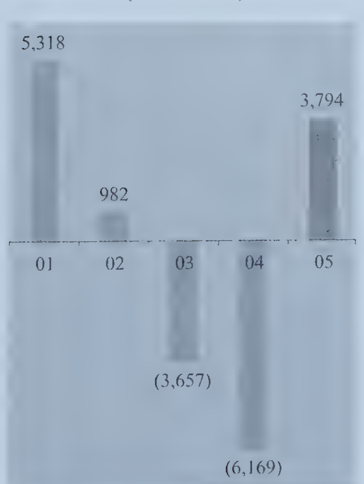
At December 31, 2004, due to fourth quarter losses, the Corporation was not in compliance with certain of its debt covenants. As a result, $6.6 million of long-term debt outstanding with the lender at December 31, 2004, which was not scheduled to be repaid in the next 12 months, was reclassified as a current liability.

In order to increase the level of working capital, the Corporation finalized an arrangement for additional equity funding of $10.6 million on April 25, 2005, which arrangement was approved by the Shareholders at the Annual Meeting on May 12, 2005. This proposal included the issuance of 5,323,000 new Common Shares at a price of $2.00 per share in a private placement. The $2.00 share price was the closing market price of Churchill shares on April 15, 2005. This placement consisted of $7.0 million (3,500,000 shares) subscribed by Matco Capital Ltd.("Matco"), a private investment firm based in Calgary, Alberta and the balance of $3.6 million (1,823,000 shares) subscribed by Peter Allard who had previously owned approximately 14% of Churchill Common Shares. The details of this proposal are described in the Corporation's press release of April 19, 2005 as well as the Material Change Report filed with the TSX on April 22, 2005.

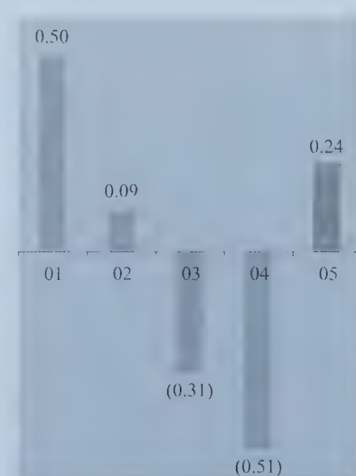
To further increase its working capital, the Corporation completed a new banking facility arrangement during the year. This arrangement provided a $7.8 million ten-year loan ("demand term loan") to replace the Corporation's previous term and acquisition loans as well as to extend the scheduled repayment period. An operating line of credit of $12.0 million was provided to replace a temporary facility arranged in June 2005 and the agreement allowed for the release of $4.0 million of term deposits previously held as security.

The Corporation returned to compliance with its bank debt covenants as a result of its profitability, combined with the additional equity funding and new banking arrangements.

NET EARNINGS
($ Thousands)



NET EARNINGS
PER COMMON SHARE
($ Basic)



Capital expenditures for the year ended December 31, 2005 were $2.6 million as compared to $8.7 million for the year ended December 31, 2004. In 2004 the Corporation commenced and completed construction of a new modular fabrication facility for use by its industrial companies. Approximately $7.4 million was spent on the construction of this facility during 2004 and a further $0.1 million during 2005. The remaining $2.5 million of capital expenditures in 2005 were primarily to replace portions of, or add to, the vehicle and equipment fleets.

Contractual Obligations

($ millions)

December 31, 2005

	Total	Current year	2-3 years	4-5 years	After 5 years
Demand term loan (1)	$7.5	$0.8	$1.6	$1.6	$3.5
Mortgage payable	1.3	0.0	0.1	0.1	1.1
Finance contracts and capital lease obligations	1.6	0.6	0.8	0.1	0.1
	$10.4	$1.4	$2.5	$1.8	$4.7

(1) The above table represents scheduled repayments.

The demand term loan, mortgage payable, finance contracts and capital lease obligations are more fully described in Notes 12 and 13 of the Audited Consolidated Financial Statements.

During the year, the Corporation completed a debt-refinancing package. Under the terms of the new agreement, the lender provided the $7.8 million demand term loan and a $12.0 million operating line of credit. The proceeds of this financing were used to repay a term loan of $3.2 million and an acquisition loan of $4.0 million, with the balance of $0.6 million going to working capital. In addition, a $4.0 million term deposit posted as security for these facilities was released as part of the refinancing.

In January 2006, the maximum operating line of credit was subsequently increased by the Corporation's lender from $12.0 million to $16.0 million. As well, a new additional line of credit of $3.0 million was added to the agreement; such line to be used specifically for the lease of vehicles and equipment pertaining to operations.

$9.0 million was added to long-term debt during the year. This consisted of the $7.8 million demand term loan described above as well as $1.2 million of other long-term debt to fund additions to the vehicle fleet.

The Corporation repaid $9.8 million of debt during the year ended December 31, 2005. $7.2 million was to repay the balance outstanding on the term and acquisition loans as part of the refinancing described above and $2.1 million were the scheduled payments on these loans. The remainder consisted primarily of scheduled payments on dealer financing for vehicles.

Churchill began 2005 with $11.7 million in cash, of which $10.5 million was subject to deemed trust conditions under the British Columbia Lien Act, as well as an additional $4.0 million in term deposits held as security by the Corporation's bank. The operating, investing and financing activities throughout 2005 generated $9.7 million of net additional cash. At December 31, 2005 the cash position was $29.2 million, of which $9.9 million was subject to certain deemed trust conditions, net of $7.8 million of bank indebtedness.

The scheduled debt repayments for 2006 are $1.4 million. The level of required replacement capital spending for Churchill is estimated to be in the range of $2.9 million for 2006. These requirements are expected to again be met through a combination of operating and financing activities.

Churchill is a partner in two joint ventures. In each instance the Corporation has provided a joint and several guarantee, increasing the maximum potential payment to the full value of the work remaining under the contract. The Corporation also provided a joint and several guarantee as part of the transaction in the first quarter of 2003 in which Churchill's interest in the Lafrentz Road Services business was sold to a third party. There is no maximum potential payment under the guarantee. The Corporation placed a portion of its proceeds into an escrow account until February, 2008 to provide in part against potential claims under the guarantee.

Property for sale was disposed of during the year for a net gain over book value of $0.6 million.

Shareholders' equity was $40.2 million at December 31, 2005, as compared to $24.9 million at December 31, 2004. Both 2004 and 2005 values include $7.3 million of goodwill.

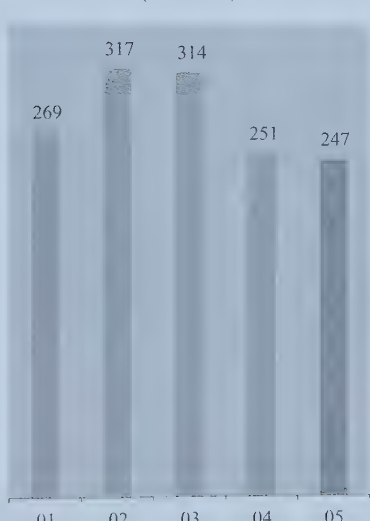
Share capital increased $11.2 million from January 1, 2005 to December 31, 2005 as a result of the additional equity funding of $10.6 million referred to above and 334,334 stock options being exercised. During 2005, contributed surplus increased by $0.4 million over the $5.4 million balance as of December 31, 2004. This increase is the result of share-based compensation awarded during the year, and is detailed in Note 15 of the Audited Consolidated Financial Statements. Retained Earnings increased from $15.2 million at December 31, 2004 to $19.0 million at December 31, 2005, reflecting the $3.8 million net earnings for the year.

The 2003 purchase of Laird Electric included a refundable deposit of $1.0 million that was recoverable by the Corporation in the event that Laird did not achieve a cumulative financial performance objective by December 31, 2005. The potential refund was secured by shares of the Corporation held in escrow without further recourse. Under the escrow agreements, the vendors were required to maintain $1.0 million in escrow either through shares or equivalent cash if shares were released. At December 31, 2005, the Corporation has determined that the financial performance objective was not met entitling the Corporation to a repayment of the refundable deposit. Pursuant to the escrow agreements the vendors have the right to dispute management's assessment. Settlement under the escrow agreements is required no later than April 30, 2006. Under the agreements, should there be a repayment, it may be settled with cash or a return of shares of the Corporation valued at the trailing 30 day trading average, which as at December 31, 2005 was $3.21 per share.

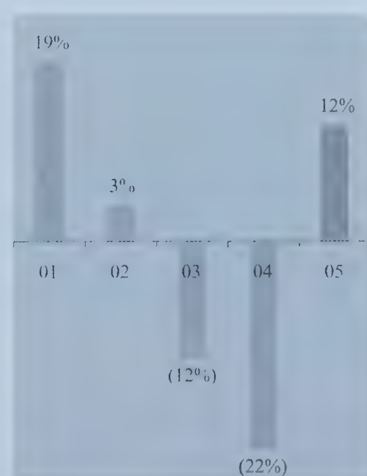
As discussed in Note 15 to the Audited Consolidated Financial Statements, options to acquire 334,334 Common Shares were exercised for cash during the period January 1, 2005 to December 31, 2005.

As at December 31, 2005 the Corporation had outstanding 17,895,686 common shares and 605,000 options convertible into common shares (December 31, 2004 – 12,238,352 common shares and 564,334 options).

WORK-IN-HAND
($ Millions)



RETURN ON AVERAGE SHAREHOLDERS' EQUITY
(%)



The Corporation has an Employee Share Purchase Plan available to all full-time employees. At December 31, 2005 the Plan held 1,446,853 Churchill Common Shares for the employees. Under the Plan, shares are acquired in the open market.

The Corporation maintains a Share Option Plan for Directors and Officers, under which 605,000 options were outstanding as at December 31, 2005. In addition to the 334,334 options exercised during the year, there were 100,000 options cancelled. There were 86,666 options available for grant at December 31, 2005.

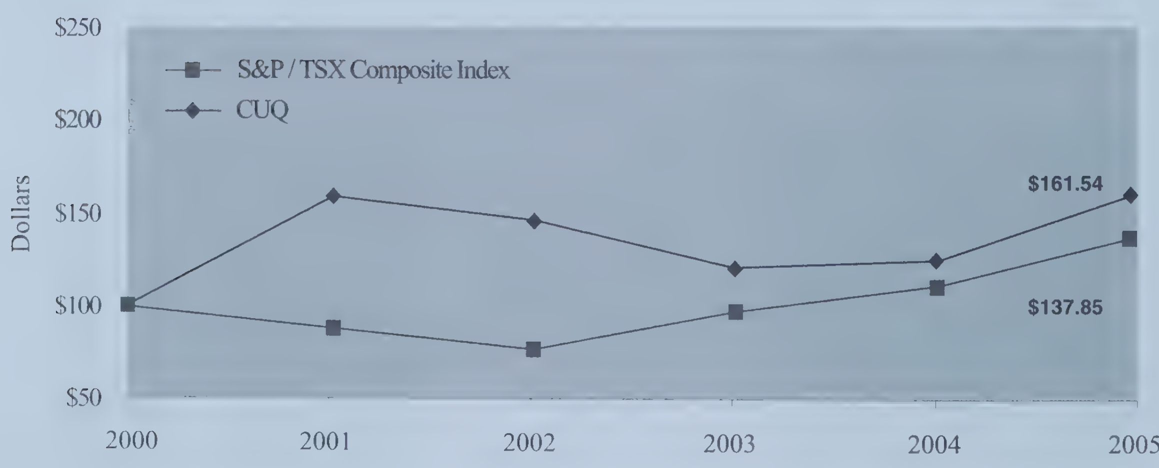
During the year, the Board of Directors approved the implementation of a long-term compensation plan. The plan awards employee share units to eligible employees within 90 days of each fiscal year based on specific targets set each year. The plan is subject to shareholder approval at the Corporation's May 2006 Annual Meeting and will be implemented retroactively should shareholder approval be granted.

DISCLOSURE CONTROLS

The President and Chief Executive Officer (the "CEO") together with the Vice President Finance and Chief Financial Officer (the "CFO") are responsible for establishing and maintaining the Corporation's disclosure controls and procedures as defined in *Multilateral Instrument 52-109*. They are assisted in this responsibility by the Disclosure Committee which is composed of senior managers of the Corporation and at least one member of the Board of Directors.

During the year, an evaluation was carried out as to the effectiveness of the controls and procedures. The CEO and CFO have concluded that the Corporation's disclosure controls and procedures are effective as at December 31, 2005, to ensure that material information relating to the Corporation and its subsidiaries would have been known to them.

CUMULATIVE RETURN ON $100 INVESTMENT



RISKS AND RISK MANAGEMENT

Churchill's operations are centered in, and primarily focused on, western Canada. The majority of construction in western Canada, particularly industrial construction, is either directly or indirectly connected to oil and gas. Oil and gas pricing and activity levels are directly impacted by worldwide events. The Corporation monitors this information to assist in managing various mid-term aspects of its business. Significant downward movement in oil or gas commodity prices could lead to project delays or cancellations, while significant upward movement could lead to clients seeking to accelerate their project schedule. Either movement could put pressure on the Corporation's organizational infrastructure in the short term.

The climate in western Canada can generate severe weather, which could slow down or delay construction for short periods of time, impacting costs and delivery schedules.

Permitting, engineering and design in the preconstruction phase can lead to a project delay. These delays are generally third party generated and thus outside the Corporation's control. The major cost associated with these delays is personnel and associated overhead that is designated for the project and cannot be reallocated effectively to other work.

The operating companies occasionally participate in design-build projects whereby they assume the additional risk of design-related flaws or failures. This risk is reduced by utilizing external consultants for the design component as well as by the purchase of appropriate insurance protection. Design remediation work could result in additional contract costs that may not be reimbursed by the client.

Churchill's operating companies are often required to provide performance bonds as assurance against contract completion. As a result of the recent worldwide reduction in surety and reinsurance capacity, the Corporation is continually monitoring the bonding and surety market. The agreement with the Corporation's surety company is renewed periodically. Should any revision to the agreement result in a reduction in bonding capacity, then this could limit growth and potentially adversely effect on-going operations.

Once a project has begun, the project management team monitors estimating, procurement, project execution, and contract terms. These risks are controllable by management. The Corporation assesses its project controls on an ongoing basis.

Periods of high construction activity can create shortages of labour and material. With the rapidly expanding market in Alberta, general shortages of tradesmen and management personnel are occurring and this condition is expected to continue for several years. Churchill's operating companies have attempted to mitigate the situation through competitive remuneration, enhanced in-house training programs and expanded recruiting, both within Canada and internationally. These shortages may cause limits on the growth of the Corporation's businesses and could potentially affect contract margins. Also, labour and material shortages may lead to construction cost escalation which could decrease contract margins should clients not agree to absorb these additional costs.

In certain of the companies, the labour force is unionized, creating the possibility of labour disruptions if collective agreements cannot be negotiated as they come due. There are no major collective agreements expiring in 2006 for any of Churchill's companies.

Triton incurred significant losses in 2004 as a result of start-up problems in the fabrication facility and the associated project execution. As a result, plant through-put was restricted in 2005 under a planned reduction program until systems and processes were sufficiently improved. Results to date indicate improved productivity and performance in respect of the facility, however, it continues to operate at a restricted level. Management expects to increase work volume slowly to ensure productivity and performance levels remain sufficiently high. Should the plant operate significantly below capacity for an extended period, then revenue may be insufficient to cover fixed overhead costs, thus creating an operating loss.

Churchill's industrial operations generally require a higher level of working capital due to a larger manpower workforce on projects. The Corporation's ability to obtain additional capital is a significant factor in achieving its strategy of expansion in the industrial market. To address these working capital needs, new equity of $10.6 million was placed and a new banking facility, with an increased operating line, was arranged in 2005. Although this satisfies immediate needs, future growth may be limited if additional working capital is required and not available.

In the past Churchill has grown partly by acquisition. The success of any acquisition is dependent upon the integration of the acquired company into Churchill's operations. The ability to undertake future acquisitions is limited, in part, by the Corporation's ability to access financing.

2006 OUTLOOK

Churchill's markets for new work improved markedly in 2005 and these markets are expected to remain strong throughout 2006. Alberta and British Columbia are forecast to lead the country in economic growth, driven in part by the oil sands and heavy oil mega projects in Alberta and the 2010 Olympics in British Columbia. The carryover of industrial work is at a high level for the Corporation and the buildings group, Stuart Olson, has significant new contract opportunities that will move into construction in 2006. These new opportunities for growth may require additional working capital, thus necessitating further developments in the Corporation's capitalization.

The Churchill Corporation enters 2006 with a backlog of $247.2 million, of which $236.0 million is expected to become earned revenue in 2006 and $11.2 million is expected to carry forward into 2007 or later.

Of the $236.0 million of backlog expected to be taken into revenue in 2006, $166.9 million is from projects already underway, reducing the risk of project cancellation or delay. An additional $37.0 million is generated from maintenance contracts, which clients generally do not defer. The remaining $32.1 million of the backlog relates to projects that had not commenced at December 31, 2005. In general, these projects have a higher degree of risk of being delayed or cancelled, although all are expected to commence on schedule.

Stuart Olson is expected to increase revenue in 2006 over 2005, as several of its significant projects move into construction. The company enters 2006 with $138.1 million of backlog, of which $128.2 million is expected to be realized as revenue during the year. Growth in the western Canadian economy will continue to generate a need for commercial, residential and institutional building projects, with major government investment planned for schools, hospitals and long-term health care.

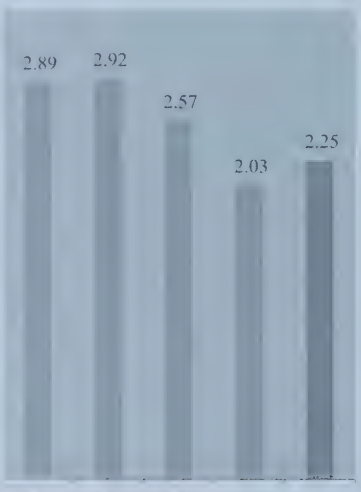
Triton Projects enters 2006 with $23.7 million of backlog. The company achieved a record level of revenue in 2005, which is unlikely to repeat in 2006 as the carryover of work into the year is lower. The industrial market remains the strongest in the company's history and many opportunities are expected. The major issues with Triton will be a continuation of the restructuring of the fabrication plant as well as the improvement of project execution processes to increase profitability.

The Industrial Insulation Contracting companies are expected to continue with their strong performance into 2006. The companies enter the year with $26.8 million of backlog, which is at a historically high level for their businesses. They successfully completed a major contract for an oil sands client in the Fort McMurray region in 2005 and their key objective for 2006 is to lever this large project experience into similar work. This should be achievable as the outlook for their services is very positive, particularly in Alberta.

Laird Electric enters 2006 with a $58.7 million backlog as compared to $44.1 million entering 2005. The company climbed to a record level of revenue in 2005 and with the large backlog of work and many opportunities in its core Fort McMurray market, Laird is expected to continue with its solid performance in 2006.

The primary driver for Churchill is profitability. The Corporation achieved a significant turnaround in profitability in 2005, due primarily to larger revenue from an improved market, as well as internal reorganization and systems improvements that produced higher contract margins. With a significant backlog of construction entering 2006 and the construction market in western Canada at a record level, it is expected that Churchill will experience another year of strong performance.

BOOK VALUE PER COMMON SHARE ($)



CHANGES IN ACCOUNTING POLICIES

The Corporation adopted, effective January 1, 2005, the new CICA Handbook policies related to variable interest entities and financial instruments – disclosure and presentation.

Variable Interest Entities – Effective January 1, 2005, the Corporation adopted the recommendations of CICA Accounting Guideline 15 (AcG-15) *Consolidation of Variable Interest Entities*, effective for annual and interim periods beginning on or after November 1, 2004. Variable interest entities refer to those entities that are subject to control on a basis other than ownership of voting interests. AcG-15 provides guidance for identifying variable interest entities, and criteria for determining which entity, if any, should consolidate them. The Corporation determined that it does not hold an interest in a variable interest entity and there was no impact on the financial statements from the adoption of AcG-15.

Financial Instruments – Disclosure and Presentation – Effective January 1, 2005, the Corporation adopted the amended recommendations of CICA Handbook Section 3860 *Financial Instruments-Disclosure and Presentation* effective for annual and interim periods beginning on or after November 1, 2004. Section 3860 requires that certain obligations that may be settled at the issuer's option in cash or the equivalent value by a variable number of the issuer's own equity instruments be presented as a liability. The Corporation has determined that there is no impact on the financial statements from the adoption of amendments to Section 3860.

Future Accounting Policies

Financial Instrument – Recognition and Measurement – In January 2005, the Accounting Standards Board (AcSB) of the CICA issued Handbook Section 3855, *Financial Instruments –Recognition and Measurement*. The new accounting standard requires that all financial instruments, including derivatives are to be included on a company's balance sheet and measured, either at their fair market value or, in limited circumstances when fair value may not be considered most relevant, at cost or amortized cost. The standards also specify when gains and losses as a result of changes in fair values are to be recognized in the income statement.

Comprehensive Income and Equity – In January 2005, the AcSB of the CICA issued new Handbook Section 1530, *Comprehensive Income,* and Section 3251, *Equity.* Section 1530 establishes standards for reporting and display of comprehensive income. It defines other comprehensive income to include revenue, expenses, gains and losses that, in accordance with primary sources of GAAP are recognized in comprehensive income, but excluded from net income. The section does not address issues of recognition or measurement for comprehensive income and its components. Section 3251 establishes standards for the presentation of equity and changes in equity during the reporting period. The requirements in this section are in addition to Section 1530 and recommends that an enterprise should present separately the following components of equity: retained earnings, accumulated other comprehensive income, the total for retained earnings and accumulated other comprehensive income, contributed surplus, share capital and reserves.

Hedges – In January 2005, the AcSB of the CICA issued Handbook Section 3865, *Hedges.* The new accounting standard extends existing requirements for hedge accounting and comprehensively specifies how hedge accounting can be performed.

The mandatory effective date for the new sections 1530, 3251, 3855 and 3865 is for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2006. Earlier adoption is permitted only as of the beginning of a fiscal year ending on or after December 31, 2004. The Corporation is in the process of evaluating the impact of these recently issued standards on its financial position and results of operations.

Non-Monetary Transactions – In June 2005, the AcSB issued Handbook Section 3831, *Non-Monetary Transactions,* replacing Section 3830 of the same title. The new accounting standard requires all non-monetary transactions be measured at fair value unless certain conditions are satisfied. The new requirements are effective for non-monetary transactions initiated in periods beginning on or after January 1, 2006. The Corporation is in the process of evaluating the impact of the recently issued standard on its financial position and results of operations.

Implicit Variable Interests under AcG-15 – In October, the Emerging Issues Committee of the CICA (the "EIC") issued Abstract No. 157, *Implicit Variable Interests under AcG-15 (EIC-157),* to address whether a company has an implicit variable interest in a VIE or potential VIE when specific conditions exist. An implicit variable interest acts the same as an explicit variable interest except it involves the absorbing and/or receiving of variability indirectly from the entity (rather than directly). The identification of an implicit variable interest is a matter of judgment that depends on the relevant facts and circumstances. The EIC-157 will be effective in the first quarter of 2006. The Corporation does not expect the impact of this abstract to be material.

TERMINOLOGY

Throughout this 2005 Management's Discussion and Analysis, management refers to certain terms when explaining its financial results that do not have any standardized meaning under Canadian GAAP as set out in the CICA Handbook. Specifically, the terms "contract income margin percentage", "work-in-hand" and "working capital" have been defined as –

Contract income margin percentage is the percentage derived by dividing contract income by contract revenue. Contract income is calculated by deducting all associated direct and indirect costs from contract revenue in the period.

Work-in-hand is the unexecuted portion of work that has been contractually awarded to the Corporation. It includes contracts that have been awarded but not yet commenced construction, as well as an estimate of the revenue to be generated from maintenance contracts during the shorter of (a) the next two years, or (b) the remaining life of the contract.

Working capital is current assets less current liabilities excluding that portion relating to any demand term loan which is scheduled to be repaid beyond one year.

CRITICAL ACCOUNTING ESTIMATES

Churchill's financial statements include estimates and assumptions made by management in respect of operating results, financial conditions, contingencies, commitments, and related disclosures. Actual results may vary from these estimates. The following are, in the opinion of management, Churchill's most critical accounting estimates, being those that involve the most difficult, subjective and complex judgments, requiring estimates that are inherently uncertain and may change in subsequent periods.

Revenue recognition from cost-plus contracts and fixed-price contracts requires monthly estimates of costs incurred, costs to complete, and the timing of realization. On cost-plus contracts, estimates of costs incurred may be required in advance of being billed for those costs. On fixed-price contracts, revenues are recorded on a percentage-of-completion basis, which requires estimating certain costs incurred as well as the costs required to complete the contract. In making such estimates, judgments are required to evaluate contingencies such as variances in scheduling, material costs, labour costs, labour productivity, subcontractor costs, change orders and liability claims. Revenue recognition estimates may be required in each of Churchill's operating business segments, but would normally be most prevalent in Stuart Olson and Triton where a significant portion of their contract revenue and contract income for the period may be estimated. Changes in estimated costs to complete on fixed-price contracts may have a material impact on the realization of net earnings.

Goodwill impairment incorporates, at a minimum, an annual assessment of the value of Churchill's goodwill by applying a fair value based test to each segment of goodwill. Each fair value test may incorporate estimates such as normalized earnings, future earnings, price earnings multiples, future cash flows, discount rates, and terminal values. The goodwill arose on the purchase of Laird Electric in February, 2003. A significant portion of the valuation of goodwill for Laird is related to future earnings which are estimated and uncertain. Any reduction in these estimates could result in an impairment of goodwill.

Income tax provisions, including current and future income tax assets and liabilities, may require estimates and interpretations of federal and provincial tax rules and regulations, and judgments as to their interpretation and application to Churchill's specific situation. Income tax provisions are estimated each quarter, updated each year-end to reflect actual differences and the impact of revenue recognition estimates, and then finalized during the preparation of the tax returns. Any changes between the quarterly estimates and the year-end provision, and the final filing position, may impact the income tax expense category, as well as the current and future income tax asset and liability categories.

Accounts receivable collectability may require an assessment and estimation of the creditworthiness of the client, the interpretation of specific contract terms, the strength of Churchill's security, and the timing of collection. An allowance would be provided against any amount estimated to be uncollectible, and reflected as a bad debt expense.

Management's and Auditors' Report

The accompanying financial statements and all information in this Annual Report are the responsibility of management. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include certain estimates that reflect management's best judgment. Financial information contained throughout this Annual Report is consistent with the financial statements.

Management maintains appropriate systems of internal control. Policies and procedures are designed to give reasonable assurance that transactions are properly authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors has approved the information contained in the consolidated financial statements. The Board fulfills its responsibility in this regard mainly through its Audit Committee which has thoroughly reviewed the financial statements, including the notes thereto, with management and the external auditors.

J. Norman Rokosh, MBA, P.Eng.
President and Chief Executive Officer

Daryl Sands, CA
Chief Financial Officer
Vice President of Finance

To the Shareholders of The Churchill Corporation

We have audited the consolidated balance sheets of The Churchill Corporation as at December 31, 2005 and December 31, 2004 and the consolidated statements of income (loss), retained earnings and net cash flow for the years then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2005 and 2004 and the results of its operations and its cash flow for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Edmonton, Alberta
March 1, 2006

Consolidated Balance Sheets

as at December 31,

($ thousands)	2005	2004
Assets		
Current Assets		
Cash and equivalents (Note 4)	**$ 29,177**	$ 11,719
Term deposit (Note 5)	–	4,000
Accounts receivable (Note 6)	**72,417**	77,325
Inventories and prepaid expenses	**1,724**	1,663
Costs in excess of billings	**13,127**	–
Properties for sale (Note 7)	–	103
Income taxes recoverable	**3,310**	954
Future income tax assets (Note 14)	–	1,921
	119,755	97,685
Future income tax assets (Note 14)	**435**	549
Property and equipment (Note 8)	**15,556**	15,528
Intangible assets (Note 9)	–	231
Refundable deposit (Note 2)	**1,000**	1,000
Goodwill (Notes 2 and 10)	**7,315**	7,315
	$ 144,061	$ 122,308
Liabilities		
Current Liabilities		
Bank indebtedness (Note 11)	**$ 7,780**	$ –
Accounts payable	**81,775**	67,363
Contract advances and unearned income	–	17,937
Future income tax liabilities (Note 14)	**3,706**	–
Current portion of long-term debt (Note 12)	**597**	9,358
Demand term loan (Note 13)	**7,540**	–
	101,398	94,658
Long-term debt (Note 12)	**2,301**	1,849
Future income tax liabilities (Note 14)	**143**	935
	103,842	97,442
Contingencies, Commitments and Guarantees (Notes 17, 18 and 19)		
Shareholders' Equity		
Share capital (Note 15)	**15,472**	4,289
Contributed surplus (Note 15)	**5,754**	5,378
Retained earnings	**18,993**	15,199
	40,219	24,866
	$ 144,061	$ 122,308

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board:

J. Norman Rokosh
Director

Peter F. Adams
Director

Consolidated Statements of Income (Loss)

for the years ended December 31,

($ thousands, except per share amounts)	2005	2004
Construction Operations		
Contract revenue	**$ 479,820**	$ 334,618
Contract costs	**440,015**	316,620
Contract income	**39,805**	17,998
Interest income	**250**	469
Sundry income	**858**	468
Indirect and administrative expenses	**(31,735)**	(24,820)
Depreciation and amortization	**(2,765)**	(3,193)
Interest expense	**(991)**	(523)
Income (loss) before income taxes	**5,422**	(9,601)
Income Tax Recovery (Expense) (Note 14)		
Current income tax	**3,321**	932
Future income tax	**(4,949)**	2,500
	(1,628)	3,432
Net income (loss)	**$ 3,794**	$ (6,169)
Net income (loss) per common share (Note 16)		
Basic	**$ 0.24**	$ (0.51)
Fully diluted	**$ 0.24**	$ (0.51)

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Retained Earnings

for the years ended December 31,

($ thousands)	2005	2004
Retained earnings, beginning of year	**$ 15,199**	$ 21,383
Net income (loss)	**3,794**	(6,169)
Share redemption in excess of stated capital	**–**	(15)
Retained earnings, end of year	**$ 18,993**	$ 15,199

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Net Cash Flow

for the years ended December 31, ($ thousands)	2005	2004
Operating Activities		
Net income (loss)	$ 3,794	$ (6,169)
Non-cash items		
Depreciation and amortization	2,765	3,193
Gain on disposal of property for sale	(620)	–
Gain on disposal of equipment	(13)	(51)
Future income taxes	4,949	(2,500)
Stock-based compensation (Note 15)	376	74
	11,251	(5,453)
Net change in costs in accounts receivable, inventories and prepaid expenses	4,847	(10,065)
Net change in costs in accounts payable	14,412	16,414
Net change in costs in contract advances and unearned income	(31,064)	6,483
Change in income taxes recoverable	(2,356)	(2,059)
	(2,910)	5,320
Investing Activities		
Proceeds from agreement receivable	–	138
Redemption (purchase) of term deposit (Note 5)	4,000	(4,000)
Proceeds on disposal of property for sale	723	–
Proceeds on disposal of equipment	24	155
Additions to property and equipment	(2,573)	(8,704)
	2,174	(12,411)
Financing Activities		
Issuance of short-term debt	7,000	–
Issuance of common shares	4,183	498
Issuance of long-term debt	1,211	5,882
Issuance of demand term loan	7,800	–
Repayment of long-term debt	(9,520)	(2,174)
Repayment of demand term loan	(260)	–
Redemption of common shares	–	(18)
	10,414	4,188
Increase (decrease) in cash	9,678	(2,903)
Net cash, beginning of year	11,719	14,622
Net cash, end of year	$ 21,397	$ 11,719

	2005	2004
Net cash is comprised of:		
Cash and equivalents	$ 29,177	$ 11,719
Bank indebtedness	(7,780)	–
	$ 21,397	$ 11,719

SUPPLEMENTAL CASH FLOW INFORMATION

	2005	2004
Cash paid during the year for:		
Interest expense	$ 1,239	$ 508
Income taxes	$ 965	$ 1,127

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

The Churchill Corporation ("the Corporation") provides building construction, heavy-industrial general contracting, industrial insulation contracting, industrial electrical and instrumentation contracting and related services within Canada.

The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles, and reflect the following policies:

Principles of Consolidation
The consolidated financial statements include the accounts of the following subsidiaries, their subsidiaries and limited partnership:

Stuart Olson Construction Ltd. (100%)
Insulation Holdings Inc. (100%)
Triton Construction Inc. (100%)
Triton Projects Limited Partnership (100%)
Laird Electric Inc. (100%)
Churchill Industrial Group Ltd. (100%)

Joint ventures are accounted for on the proportionate consolidation basis, which results in the Corporation recognizing its pro rata share of the assets, liabilities, revenues, and expenses of each of the entities.

Variable Interest Entities
Effective January 1, 2005, the Corporation adopted the recommendations of CICA Handbook Accounting Guideline 15 (AcG – 15) *Consolidation of Variable Interest Entities*, effective for annual or interim periods beginning on or after November 1, 2004. Variable Interest Entities refer to those entities that are subject to control on a basis other than ownership of voting interests. AcG – 15 provides guidance for identifying Variable Interest Entities and criteria for determining which entity, if any, should consolidate them. The Corporation determined that it does not hold an interest in a variable interest entity and there was no impact on the consolidated financial statements from the adoption of AcG – 15.

Use of Estimates
Consolidated financial statements prepared in accordance with generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from these estimates. A certain amount of uncertainty is inherent in estimating the cost of completing construction projects, the estimated useful life of equipment and corresponding depreciation rates, allowances for doubtful accounts receivable, future income taxes, provision for legal contingencies, valuation of stock options and the fair value of goodwill, intangible assets and other financial instruments. The impact on the consolidated financial statements of future changes in such estimates could be material.

Inventories
Inventories are recorded at the lower of cost and net realizable value.

Properties for Sale
Properties for sale are recorded at the lower of cost and net realizable value. Property sales are recorded when the Corporation has fulfilled all material conditions and received an appropriate down payment.

Property and Equipment
Property and equipment are recorded at cost and depreciated using either the diminishing-balance or the straight-line methods over their estimated useful lives at the rates indicated in Note 8.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Asset Impairment
The Corporation tests for the impairment of long-lived assets held for use through a two-step process, with the first step determining when an impairment is recognized, and the second step measuring the amount of the impairment. An impairment loss is recognized when the carrying amount of a long-lived asset exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition, and is measured as the amount by which the long-lived asset's carrying amount exceeds its fair value.

Employee Future Benefits
The Corporation and its subsidiaries have a Registered Retirement Savings Plan and an Employee Share Purchase Plan. The Corporation contributes to the plans based on the amount of employee contributions. The Corporation accounts for contributions as an expense in the period that they are made (Note 22). The Corporation does not provide post-employment or post-retirement benefits.

Contract Income
Contract revenue for cost-plus contracts is recorded as the service is performed and the related expenses are incurred. Contract revenue from fixed-price contracts is recognized on the percentage of completion basis. Percentage of completion is determined by relating either the actual cost of work or the actual hours performed to date, to the current estimated total cost or estimated total hours for each contract. Any projected loss is recognized immediately.

Income Taxes
The Corporation uses the asset and liability method of accounting for future income taxes. Under this method, future income tax assets and future income tax liabilities are recorded based on temporary differences between the carrying amount of balance sheet items and their corresponding tax bases. In addition, the future benefits of income tax assets, including unused tax losses, are recognized, subject to a valuation allowance, to the extent it is more likely than not such future benefits will ultimately be realized. Future income tax assets and liabilities are measured using enacted tax rates and laws expected to apply when the tax liabilities or assets are to be either settled or realized.

Earnings Per Share
Fully diluted earnings per share is computed using the treasury stock method, whereby it is assumed that any proceeds obtained upon the exercise of outstanding options would be used to buy back Common Shares at the average market price during the period.

Stock-Based Compensation Plan
The Corporation utilizes the fair value based method of accounting for stock options which were granted to employees on or after January 1, 2002. Under this method, the estimated fair value of the stock options granted is recognized over the applicable vesting period as a charge to stock compensation expense and a credit to contributed surplus. When these options are exercised, the proceeds received and the related amounts of contributed surplus are credited to share capital. For options granted prior to January 1, 2002, the Corporation continues to follow the applicable generally accepted accounting principle under which no expense is recognized; when these options are exercised, the proceeds are a credit to share capital.

The Corporation has one stock option plan as described in Note 15.

Statements of Cash Flow
The statements of cash flow have been prepared using the indirect method.

Cash and Equivalents
For the purposes of presentation, on the Consolidated Statements of Net Cash Flow, cash and equivalents are comprised of bank balances net of an operating line of credit. The operating line of credit is included in cash and equivalents for purposes of the Consolidated Statements of Net Cash Flow because it fluctuates frequently from being positive to overdrawn and is therefore considered an operating activity.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible Assets and Goodwill

The Corporation records intangible assets with indefinite lives and goodwill at cost. The Corporation tests its goodwill and intangible assets with infinite lives for impairment on an annual basis, or more frequently if events and changes in circumstances indicate that the asset might be impaired. Consistent with current industry-specific valuation methods and recommendations for assessment, the Corporation uses a combination of the discounted cash flow model and the market comparable approach for determining the fair value of its reporting units. The Corporation has selected December as its annual test time.

Financial Instruments – Disclosure and Presentation

Effective January 1, 2005, the Corporation adopted the amended recommendations of CICA Handbook Section 3860, *Financial Instruments – Disclosure and Presentation* effective for annual or interim periods beginning on or after November 1, 2004. Section 3860 requires that certain obligations that may be settled at the issuer's option in cash or the equivalent value by a variable number of the issuer's own equity instruments be presented as a liability. The Corporation determined there is no impact on these consolidated financial statements from the adoption of amendments to Section 3860.

Guarantees

The Corporation discloses the nature, amount and term of obligations under guarantee and has provided additional disclosure in Note 19.

2. ACQUISITION OF SUBSIDIARY

($ thousands)

On February 7, 2003, the Corporation acquired all of the issued and outstanding shares of Laird Electric Inc. (Laird) for $9,743 plus a refundable deposit of $1,000. The $10,743 payment was comprised of $8,520 plus the issuance from treasury of 826,412 Common Shares of the Corporation valued at $2,223.

The refundable deposit of $1,000 was recoverable in the event that Laird did not achieve a cumulative financial performance objective by December 31, 2005. The potential refund was secured by shares of the Corporation held in escrow without further recourse. Under the escrow agreement, the vendors were required to maintain $1,000 in escrow either through shares or equivalent cash if shares were released.

As at December 31, 2005, the Corporation has determined that the performance objective was not met, entitling the Corporation to a repayment of the refundable deposit. Pursuant to the escrow agreements, the vendors have the right to dispute management's assessment. Settlement under the escrow agreements is required no later than April 30, 2006. Under the agreements, should there be a repayment, it may be settled with cash or a return of shares of the Corporation valued at the trailing 30 day trading average, which as at December 31, 2005 was $3.21 per share.

3. JOINT VENTURES

($ thousands)

The Corporation and its subsidiaries are partners in incorporated and unincorporated joint ventures. These consolidated financial statements include the proportionate share of assets, liabilities, revenue, expenses, net income and cash flow of these joint ventures as follows:

	2005	2004
Current and total assets	**$ 220**	$ 221
Current and total liabilities	**277**	440
Contract revenue	**5,619**	49
Contract costs and expenses	**5,456**	133
Net income (loss)	**162**	(83)
Cash flow provided by operating activities	**107**	146

4. CASH
($ thousands)

Cash includes $9,857 (2004 – $10,477) which is restricted under the British Columbia Lien Act to the payment of direct costs related to specific construction projects. Cash also includes $2,953 (2004 – nil) which are funds held in trust related to specific construction projects. Cash balances of $119 (2004 – $13) are in joint venture accounts.

5. TERM DEPOSIT
($ thousands)

The term deposit bore interest at 2.3% and was redeemed on September 8, 2005. The term deposit was held as security by the bank against outstanding credit facilities in 2004 (Note 13).

6. ACCOUNTS RECEIVABLE
($ thousands)

Accounts receivable are comprised of:

	2005	2004
Trades receivable	**$ 49,385**	$ 60,101
Holdback	**20,290**	14,568
Other	**2,742**	2,656
	$ 72,417	$ 77,325

7. PROPERTIES FOR SALE
($ thousands)

	2005	2004
Undeveloped land	**$ –**	$ 647
Less cumulative valuation adjustments	**–**	(544)
	$ –	$ 103

During the year, the Corporation finalized the disposition of the remaining properties for sale. The properties had a carrying value of $103 and were disposed of for net cash proceeds of $723.

8. PROPERTY AND EQUIPMENT
($ thousands)

	2005			2004	
	Cost	**Accumulated Depreciation**	**Net Book Value**	**Net Book Value**	**Depreciation Rates**
Land	**$ 3,343**	**$ –**	**$ 3,343**	$ 3,343	–
Buildings and improvements	**9,708**	**3,590**	**6,118**	7,357	4% – 30%
Vehicles and equipment	**22,208**	**16,113**	**6,095**	4,828	6% – 100%
	$ 35,259	**$ 19,703**	**$ 15,556**	$ 15,528	

Depreciation for the year amounted to $2,534 (2004 – $2,640).

9. INTANGIBLE ASSETS

($ thousands)

	2005			2004	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value	Amortization Term
Employment contracts intangible	$ 1,000	$ 1,000	$ –	$ 231	36 months

The employment contracts arose on the acquisition of Laird (Note 2) and are being amortized over the term of the related contracts on a straight-line basis. By December 31, 2005, the intangible assets were fully amortized.

The amortization expense for the year totaled $231 (2004 – $553).

10. GOODWILL

($ thousands)

	2005	2004
Goodwill	$ 7,315	$ 7,315

The goodwill arose on the acquisition of Laird (Note 2).

11. LINES OF CREDIT

($ thousands)

The bank indebtedness is comprised of an operating line of credit with a maximum availability of $12,000 (2004 – $6,000). The line of credit bears interest at prime plus 1.0% (2004 – 0.5%). The total amount ultimately available under this facility is subject to limits based on certain financial ratios. In addition, availability of the operating line is subject to default provisions of the Corporation's credit facilities' debt covenants (Note 13).

In contemplation of a pending private placement, on April 25, 2005, the Corporation received short-term funding of $7,000 at 9%, repayable on July 31, 2005. Upon shareholder approval, the balance of the $7,000 loan outstanding was converted to Common Shares at $2.00 per share (Note 15). The conversion of the loan was treated as a non-cash item for the purposes of the consolidated statements of net cash flow.

As at December 31, 2005, the maximum available operating line of credit was reduced by $1,840 (2004 – $40) in conjunction with the issuance of irrevocable letters of credit provided as security in respect of specific contracts (Note 19).

Subsequent to year-end, the Corporation has negotiated an increase in available line of credit to $16,000.

12. LONG-TERM DEBT

($ thousands)

	2005	2004
Term loan	$ –	$ 3,800
Mortgage payable	1,260	1,292
Acquisition loan	–	5,200
Finance contracts and capital leases	1,638	915
	2,898	11,207
Less current portion	(597)	(9,358)
	$ 2,301	$ 1,849

12. LONG-TERM DEBT (continued)

The mortgage payable bears interest at 6.45%, is repayable in blended monthly payments of $10, matures in October 2009, and is secured by land and buildings with a net book value of $1,724 and a site specific General Security Agreement.

Finance contracts and capital leases bear a weighted average interest rate of 2.7%, are payable in various monthly installments, mature at various dates up to 2009, and are secured by vehicles and equipment with a net book value of $1,281.

The term and acquisition loans bore interest at prime plus 1.25%.

Interest expense on long-term debt during the twelve months ended December 31, 2005 was $589 (2004 – $413).

Subsequent to year-end, the Corporation has added a leasing facility with a borrowing limit of up to $3,000 to assist the Corporation with the purchase of capital assets.

Estimated principal payments in the next five years are:

	Scheduled Repayment
2006	$ 597
2007	526
2008	487
2009	181
2010	48
thereafter	1,059

13. DEMAND TERM LOAN

($ thousands)

During 2005, the Corporation completed a debt-refinancing package. Under the terms of the new agreement, the lender provided a $7,800 ten-year demand term loan and a $12,000 operating loan (Note 11).

The proceeds of the demand term loan were used to repay the remaining loan balances with the previous lender, including the term loan ($3,200) (Note 12) and the acquisition loan ($4,000) (Note 12), with the balance ($600) going to working capital. In addition, a $4,000 term deposit posted as security with the previous lender for these repaid facilities was released as part of the refinancings (Note 5).

The demand term loan is secured by a mortgage on the modular fabrication facility, mortgages on two of the Corporation's properties, various general security agreements and unlimited guarantees from the Corporation and its wholly owned subsidiaries. The loan bears interest at prime plus 1.25% per annum. Principal repayments are $65 per month plus interest with the final payment due August, 2015.

The Corporation's demand term loan has certain demand features. As a result, $6,760 of the demand term loan, which is scheduled to be repaid beyond 2006, has been classified as a current liability on the balance sheet. The Corporation's bank has acknowledged that the $6,760 will not be considered a current liability for the purpose of calculating debt covenants.

The demand term loan, and the line of credit (Note 11) are subject to certain debt covenants calculated on a quarterly basis. At December 31, 2005, the Corporation was in compliance with its debt covenants.

Interest expense on the demand term loan for the twelve months ended December 31, 2005 was $148.

14. INCOME TAXES
($ thousands)

The Corporation's tax expense (recovery) differs from the provision computed at statutory rates as follows:

	2005	2004
Net income (loss) before income taxes	$ 5,422	$ (9,601)
Non-deductible expenses	551	653
Income (loss) subject to tax	$ 5,973	$ (8,948)
Income tax at statutory rate of 33.62% (2004 – 33.87%) of taxable income	$ 2,008	$ (3,031)
Large corporation and other taxes	–	10
Effect of change in tax rates for future income tax and tax recovery	(119)	(192)
Previously unrecorded tax loss asset of joint venture	–	(267)
Other	(261)	48
Income tax expense (recovery)	$ 1,628	$ (3,432)

The components of the future income tax assets and liabilities are as follows:

	2005	2004
Tax loss carryforwards	$ 3,834	$ 523
Equipment and other assets	165	(537)
Unbilled work-in-progress and holdback receivable	(7,551)	1,387
Other	138	162
	$ (3,414)	$ 1,535
Classified as:		
Long-term asset	$ 435	$ 549
Current (liability) asset	(3,706)	1,921
Long-term liability	(143)	(935)
	$ (3,414)	$ 1,535

The Corporation has accumulated net capital losses for income tax purposes of $7,172 which may be carried forward indefinitely to reduce future capital gains. The value of these losses has not been recognized in these consolidated financial statements.

The Corporation has accumulated non-capital losses for income tax purposes of $11,283 which expire as follows:

2006	$ 5
2007	2
2008	154
2009	7
2010	122
2014	1,728
2015	9,265

15. SHAREHOLDERS' EQUITY

($ thousands, except share and per share amounts)

Share Capital

Authorized

Unlimited Preferred Shares issuable in series with rights set by the directors

Unlimited Common Shares

	2005			2004		
	Shares	**Share Capital**		Shares	Share Capital	
Common Shares:						
Issued, beginning of year	**12,238,352**	**$**	**4,289**	11,863,652	$	3,794
New shares issued	**5,323,000**		**10,646**	–		–
Shares repurchased and cancelled	**–**		**–**	(7,300)		(3)
Stock options exercised	**334,334**		**537**	382,000		498
Issued, end of year	**17,895,686**	**$**	**15,472**	12,238,352	$	4,289

Private Placement

On May 13, 2005, the shareholders issued 5,323,000 Common Shares pursuant to two private placement agreements for total proceeds of $10,646. The agreements are with two parties for $3,646 and $7,000 (Note 11) respectively.

Contributed Surplus

Contributed surplus is comprised of $5,128 which arose in 1997 from the acquisition of Preferred Shares, with an issue price of $9,829, for $4,142 plus associated acquisition costs of $559 and $626 (2004 – $250) arising from cumulative compensation cost of options to acquire common shares of the corporation issued since January 1, 2002.

Share-Based Compensation Plan

The Corporation maintains an Employees and Directors Share Option Plan under which options may be granted by the Board of Directors for Common Shares of the Corporation. As at December 31, 2005, the maximum number of options available for issue under this plan is 86,666 (2004 – 461,666). The exercise price of each option can not be lower than the public market price on the date the options are granted. The Board of Directors sets the exercise period for each option granted, which may not exceed ten years, and the vesting term, which may not exceed five years.

A summary of the Corporation's outstanding share options under the Employee and Directors Share Option Plan at December 31, 2005 and 2004, indicating changes during the years ended on those dates is presented below:

	2005			2004		
	Number of Share Options	**Weighted Average Exercise Price**		Number of Share Options	Weighted Average Exercise Price	
Outstanding, beginning of year	**564,334**	**$**	**2.35**	1,046,334	$	2.03
Granted	**475,000**		**2.86**	–		–
Cancelled	**(100,000)**		**3.84**	(100,000)		2.95
Exercised	**(334,334)**		**1.61**	(382,000)		1.30
Outstanding, end of year	**605,000**	**$**	**2.91**	564,334	$	2.35

15. SHAREHOLDERS' EQUITY (continued)

The following table summarizes information about share options outstanding under the Plan at December 31, 2005:

	Exercise Price	Expiry Date	Options Outstanding Dec. 31, 2005	Options Exercisable Dec. 31, 2005
$	3.84	Aug. 9, 2007	25,000	25,000
	2.95	Oct. 7, 2007	105,000	105,000
	2.40	May 10, 2010	100,000	33,333
	2.55	June 14, 2010	50,000	16,666
	2.80	Sept. 14, 2010	100,000	–
	3.15	Nov. 30, 2010	225,000	225,000
			605,000	404,999

The fair value of each option granted by the Corporation was estimated using the Black-Scholes option-pricing model and assuming no dividends are paid on common shares, weighted average risk-free interest rate of 3.56% (2004 – 3.36%), an average life of 3.7 years (2004 – 3.4 years), and a weighted average volatility of 46.05% (2004 – 49.69%). The amounts computed, according to the Black-Scholes pricing model, may not be indicative of the actual values realized upon the exercise of these options by the holders.

Long-term Compensation

During the year, the Board of Directors approved the implementation of a long-term compensation plan. The plan awards employee share units to eligible employees within 90 days of each fiscal year based on specific targets set each year. The plan is subject to shareholder approval at the Corporation's May 18, 2006 Annual Meeting and will be implemented retroactively should shareholder approval be granted.

Normal Course Issuer Bids

The Corporation participated in a Normal Course Issuer Bid through the Toronto Stock Exchange under which up to 900,000 of its outstanding Common Shares may be purchased for cancellation. This bid terminated on February 23, 2005 and was not renewed.

During 2004, the Corporation purchased 7,300 Common Shares for cancellation under a Normal Course Issuer Bid at an average cost of $2.44 per Share, including commissions. The amount by which the cost exceeds the stated value of the Common Shares is charged to retained earnings.

Shareholder Rights Plan

The Corporation has an Amended and Restated Shareholder Rights Plan (the "Plan") which attaches one Right, with an Exercise Price of $20.00, to each outstanding Common Share of the Corporation. The Rights expire on September 30, 2007 unless exchanged or redeemed on an earlier date. Such Rights can only be exercised on the occurrence of a triggering event, which is defined as a person (an "Acquiring Person") acquiring, or publicly announcing its intention to acquire, 20% or more of the Common Shares, other than by an acquisition pursuant to a takeover bid permitted by the Plan. Upon occurrence of a triggering event, as described above, each Right entitles the holder, other than an Acquiring Person, to purchase that number of Common Shares of the Corporation having an aggregate market price equal to twice the Exercise Price, for a cash amount equal to the Exercise Price.

16. NET INCOME (LOSS) PER COMMON SHARE

($ thousands, except share and per share amounts)

Basic earnings per share is computed on the basis of the weighted average number of Common Shares outstanding. Fully diluted earnings per share is computed on the basis of the weighted average number of Common Shares outstanding plus the effect of outstanding stock options using the treasury stock method. For the year ended December 31, 2004 the effect of outstanding share options on earnings per share was anti-dilutive as the Corporation was in a loss position. As such, the effect of outstanding stock options used to calculate the fully diluted net earnings per share has not been disclosed.

16. NET INCOME (LOSS) PER COMMON SHARE (continued)

The components of basic and fully diluted earnings per share are as follows:

	2005	2004
Net income (loss)	**$ 3,794**	$ (6,169)
Weighted average number of common shares outstanding	**15,739,334**	12,099,776
Incremental number of shares under treasury stock method	**115,971**	123,241
	15,855,305	12,223,017
Net income (loss) per common share:		
Basic	**$ 0.24**	$ (0.51)
Fully diluted	**$ 0.24**	$ (0.51)

17. CONTINGENCIES
($ thousands)

a) Subsidiaries of the Corporation are contingently liable for normal contractor obligations relating to performance and completion of construction contracts as well as obligations of associates in certain joint ventures.

b) The Corporation and its subsidiaries are defendants in lawsuits arising in the normal course of operations and involving various amounts. Management is of the opinion that the results of these actions should not have any material effect on the financial position of the Corporation. Any awards or settlements will be reflected in the Statement of Income (Loss) as the matters are resolved.

18. COMMITMENTS
($ thousands)

The Corporation and its subsidiaries lease certain equipment, vehicles, office premises, and are also committed to future annual payments in respect of a service agreement. Future minimum lease payments over the next five years are:

2006	$ 1,351
2007	1,097
2008	925
2009	776
2010	589

19. GUARANTEES
($ thousands)

The Corporation has issued irrevocable letters of credit in the aggregate amount of $1,840 (2004 – $40) as security under specific contracts. The maximum potential payment amount varies pursuant to the specific contracts and may be greater or less than the letters of credit. The letters of credit expire in 2006 and are renewed annually.

The Corporation is a partner in joint ventures (Note 3) for which it has provided a joint and several guarantee, increasing the maximum potential payment to the full value of the work remaining under the contract. The cost of completing the contracts cannot reasonably be determined, and may be greater or less than the unbilled portion of the contracts.

The Corporation has entered into a joint and several guarantee under the representations and warranties given as a part of a transaction whereby the Corporation's equity investment sold the majority of its assets to a third party in 2003. The Corporation also agreed to have $189 of its proceeds placed into an escrow account until February, 2008 to provide against product warranty claims and claims under the representations and warranties. There is no

19. GUARANTEES (continued)

maximum potential payment under the guarantee. The Corporation has not recorded the escrow amounts as an asset as at December 31, 2005.

The Corporation indemnifies its directors and officers against claims reasonably incurred and resulting from the performance of their services to the Corporation and maintains liability insurance for its directors and officers as well as the directors and officers of its subsidiaries.

20. RELATED PARTY TRANSACTIONS

($ thousands)

In October, 2002 the Corporation provided an interest-bearing, demand loan to a senior officer of the Corporation to assist with the purchase of housing in Edmonton. The senior officer maintains offices in both Calgary and Edmonton. At December 31, 2005 the loan had been fully repaid (2004 – $30). In addition, market rent payments of $24 (2004 – $24) were made by the Corporation in relation to this housing.

The Corporation incurred legal fees of $183 (2004 – $194) for services related to various legal matters with a law firm for which a director of the Corporation is also a partner of the firm.

The Corporation incurred commission fees of $14 for services related to the disposition of a property held for sale with a company for which a director of the Corporation is also the owner of the company.

21. SEGMENTED INFORMATION

($ thousands)

The Corporation operates as a construction and maintenance services provider, primarily in western Canada. The Corporation is managed using five business segments: Buildings, Industrial General Contracting, Industrial Insulation Contracting, Industrial Electrical Contracting, and Corporate and Other.

Buildings is active in the construction of commercial, institutional, light-industrial and multi-unit residential buildings.

Industrial General Contracting includes heavy-industrial general contracting, fabrication, site work and ongoing maintenance.

Industrial Insulation Contracting includes all insulation, siding, fireproofing, asbestos abatement and plant maintenance services including, in certain instances, services provided to our industrial general contracting and industrial electrical contracting companies.

Industrial Electrical Contracting includes industrial electrical, instrumentation and power-line construction and maintenance services including, in certain instances, services provided to our industrial general contracting companies.

Corporate and Other includes the Corporation's non-core investments as well as all corporate costs not allocated directly to another business segment.

The accounting policies of the reportable segments are the same as those described in Note 1. The segmented information provided is after the elimination of inter-segment management fees and loan balances and any related interest charges.

Year Ended December 31, 2005	Contract Revenue	Earnings (Loss) Before Tax	Depreciation & Amortization	Goodwill	Total Assets	Capital Expenditures
Buildings	$ 227,481	$ 4,360	$ 581	$ –	$ 45,713	$ 496
Industrial General Contracting	100,670	(800)	693	–	32,271	347
Industrial Insulation Contracting	74,634	2,734	400	–	29,967	121
Industrial Electrical Contracting	79,827	2,657	709	7,315	27,361	1,365
Corporate and Other	–	(3,546)	382	–	8,749	244
Inter-segment Adjustments	(2,792)	17	–	–	–	–
	$ 479,820	$ 5,422	$ 2,765	$ 7,315	$ 144,061	$ 2,573

21. SEGMENTED INFORMATION (continued)

Year Ended December 31, 2004	Contract Revenue	Earnings (Loss) Before Tax	Depreciation & Amortization	Goodwill	Total Assets	Capital Expenditures
Buildings	$ 239,156	$ 2,183	$ 668	$ –	$ 69,948	$ 412
Industrial General Contracting	40,423	(8,267)	858	–	15,330	875
Industrial Insulation Contracting	41,112	1,706	456	–	12,055	262
Industrial Electrical Contracting	19,726	(1,981)	921	7,315	15,521	340
Corporate and Other	–	(3,136)	290	–	9,454	6,815
Inter-segment Adjustments	(5,799)	(106)	–	–	–	–
	$ 334,618	$(9,601)	$ 3,193	$ 7,315	$ 122,308	$ 8,704

During 2005, the Corporation recorded revenues from a customer in excess of 10% of its contract revenue (2004 – none). Contract revenue from this customer was $72,631. The revenue was earned in the Industrial Electrical Contracting and Industrial Insulation Contracting segments.

A significant portion of the Industrial General Contracting, Industrial Insulation Contracting and Industrial Electrical Contracting segments is derived from customers which operate directly or indirectly in the energy supply industry. Fluctuations in energy prices may impact future revenue derived from these customers. The Corporation does not actively manage this risk.

22. EMPLOYEE CONTRIBUTION PLANS

($ thousands)

The Corporation and its subsidiaries have a Registered Retirement Savings Plan and an Employee Share Purchase Plan whereby they match voluntary contributions made by employees to a maximum of 5% of base salary for each plan. Contributions made by the Corporation during the year to the plans were $1,832 (2004 – $1,557).

23. FINANCIAL INSTRUMENTS

Financial instruments consist of recorded amounts of receivables and other like amounts that will result in future cash receipts, as well as accounts payable, short-term borrowings, and any other amounts that will result in future cash outlays.

Risk management

The financial risk is the risk to the Corporation's earnings that arises from fluctuations in the interest rates and foreign exchange rates and the degree of volatility of these rates. The Corporation is exposed to interest rate risk on its floating rate operating line and it's demand term loan as disclosed in Notes 11 and 13. The Corporation does not use derivative instruments to reduce its exposure to this risk. The Corporation is not currently exposed to any direct foreign currency risk.

Credit risk

The Corporation is exposed to credit risk through accounts receivable. This risk is minimized by the number of customers in diverse industries and geographic centers. The Corporation performs an assessment of its potential customers as part of its work procurement process, including an evaluation of financial capacity. The Corporation maintains provisions for potential credit losses, and any such losses to date have been within management's expectations.

Fair value of financial instruments

As at December 31, 2005, the carrying value of financial instruments of the Corporation approximates their fair values.

24. COMPARATIVE FIGURES

Certain of the comparative figures have been adjusted to be consistent with the current year's presentation.

Five Year Summary

The following selected unaudited financial data has been derived from Churchill's consolidated financial statements, which have been audited by Deloitte & Touche LLP, Chartered Accountants. The information set forth below should be read in conjunction with the Management's Discussion & Analysis and Consolidated Financial Statements and Notes sections of this Annual Report.

Years ended December 31

($ thousands, except share and per share data and percentages)	**2005**	2004	2003	2002	2001
INCOME STATEMENT DATA					
Contract Revenue	**$ 479,820**	$ 334,618	$ 319,398	$ 311,794	$ 293,462
Contract Income	**39,805**	17,998	21,304	21,736	30,123
Contract Income (%)	**8.3%**	5.4%	6.7%	7.0%	10.3%
Earnings (Loss) Before Interest, Tax Depreciation and Amortization ("EBITDA")	**9,178**	(5,885)	(811)	2,786	10,966
Interest Expense	**991**	523	557	248	253
Depreciation and Amortization Expense	**2,765**	3,193	3,226	1,992	1,708
Earnings (Loss) Before Income Taxes	**5,422**	(9,601)	(4,594)	546	9,005
Net Earnings (Loss)	**3,794**	(6,169)	(3,657)	982	5,318
BALANCE SHEET DATA					
Working Capital*	**$ 25,117**	$ 3,027	$ 17,556	$ 21,175	$ 22,504
Shareholders' Equity	**40,219**	24,866	30,481	31,681	30,584
Total Debt	**18,218**	11,207	7,499	362	4,999
Non-Construction Related Assets	**-**	103	241	1,781	1,699
PER COMMON SHARE DATA					
Net Earnings (Loss) per Share:					
Basic	**$0.24**	$(0.51)	$(0.31)	$0.09	$0.50
Fully Diluted	**0.24**	(0.51)	(0.31)	0.09	0.47
Book Value per Share	**2.25**	2.03	2.57	2.92	2.89
OTHER DATA					
Return on Average Shareholders' Equity ("ROE")	**12%**	(22%)	(12%)	3%	19%
Work-in-Hand	**$ 247,238**	$ 251,463	$ 313,712	$ 317,266	$ 269,101
COMMON SHARE INFORMATION					
Weighted Average Shares Outstanding	**15,739,334**	12,099,776	11,665,985	10,773,696	10,567,745
Shares Outstanding at Year End:					
Basic	**17,895,686**	12,238,352	11,863,652	10,864,040	10,566,974
Fully Diluted	**18,500,686**	12,802,686	12,909,986	11,941,707	11,997,974
Shares Traded	**2,632,200**	2,726,344	2,018,816	4,971,289	3,300,782
Share Price:					
High	**$3.50**	$3.08	$3.00	$4.91	$3.49
Low	**1.86**	2.25	1.90	1.79	1.86
Close	**3.15**	2.45	2.35	2.85	3.10

* Working Capital is defined as current assets less current liabilities excluding that portion of a demand term loan entered into on September 7th, 2005, which is scheduled to be repaid beyond one year.

PROFILES

DIRECTOR PROFILES

PETER F. ADAMS, PH.D., P.ENG.
CHAIRMAN
(EDMONTON) A B C
- Retired President and Managing Director Canadian Petroleum Institute

BRIAN W.L. TOD, B.A., LL.B.,Q.C.
DEPUTY CHAIRMAN
(EDMONTON) B
- Senior Partner, Miller Thomson LLP

STANTON K. HOOPER, C.E.T.
(EDMONTON) C
- President, Stanton Developments Ltd.

HARRY A. KING, B.A., CA
(VANCOUVER) A
- President and Director, Harking Investments Ltd.

KIM MCINNES, B.A., M.U.D.
(TORONTO) B
- Executive Vice President and Chief Operating Officer, Ivanhoe Cambridge

H.R. (HANK) REID, MBA, P.ENG.
(GABRIOLA ISLAND) A
- Retired President, The Churchill Corporation

J. NORMAN ROKOSH, MBA, P.ENG.
(EDMONTON)
- See Executive Profiles

WINSTON D. STOTHERT, M.A.SC., P.ENG.
(VANCOUVER) C
- Chairman, Stothert Power Corporation

A Member, Audit Committee
B Member, Human Resources and Compensation Committee
C Member, Corporate Governance, Nominating and Risk Management Committee

EXECUTIVE PROFILES

J. NORMAN ROKOSH, MBA, P.ENG.
President and Chief Executive Officer
- Joined Churchill in 2005
- Senior management positions in several publicly listed companies
- Career in engineering, construction and oil and gas service companies

DARYL E. SANDS, B.COMM., CA
Vice President Finance and Chief Financial Officer
- Joined Churchill in 2005
- Previously was Partner and Senior Vice President of PricewaterhouseCoopers
- Extensive background in corporate finance and business regeneration

ALLEN W. STOWKOWY, B.SC., P.ENG.
President, Stuart Olson Construction
- Joined Stuart Olson in 1985
- Progressed through positions in operations and general management to become Senior Vice President in 1997, and President and Chief Operating Officer in 2002

RONALD L. MARTINEAU
President, Insulation Holdings
- Journeyman insulator
- Joined Fuller Austin in 1971
- Progressed through positions in operations and general management, including President Northern Industrial Insulation Contractors, to President of Insulation Holdings in 2001

GEORGE SCHNEIDER
President, Laird Electric
- Master electrician
- Joined Laird in 1983
- Progressed through positions in operations and general management to become President in 1996

DANNY C. DAOUST, B.SC., MBA
President, Triton Construction Inc.
- Joined Triton in 2004
- Senior management positions in construction and engineering companies

CORPORATE DIRECTORY

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Chartered Accountants

LEGAL COUNSEL
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Davis & Company

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HSBC Bank Canada

BONDING AND INSURANCE
Aviva Insurance Company of Canada
AXA Pacific Insurance Company
Aon Reed Stenhouse Inc.

REGISTRAR AND TRANSFER AGENTS
Inquiries regarding change of address, registered shareholdings, share transfers, duplicate mailings and lost certificates should be directed to:

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